



Sol Plaatje Local Municipality
Annual financial statements
for the year ended 30 June 2013

Sol Plaatje Local Municipality

(Registration number NC091)

Annual Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity	Local Municipality
Grading of the Local Authority	Grade 4
Executive Mayor	Alderman A. Ntlhangula
Speaker	Councillor M.V. Diraditsile
Accounting Officer	Mr G Akharwaray B.Proc.LLB. Certificate in Municipal Finance Certificate in Management
Chief Finance Officer (CFO)	Mrs ZL Mahloko B.Comm Hons B.Compt Certificate in Municipal Finance
Registered office	Civic Centre Sol Plaatje Drive Kimberley 8301
Business address	Civic Centre Sol Plaatje Boulevard Kimberley 8301
Postal address	Private Bag X5030 Kimberley 8301
Bankers	Standard Bank Kimberley
Auditors	Office of the Auditor General Registered Auditors
Contact Numbers	Tel: 053 830 6911 Fax: 053 835 1005

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Financial Management
NDPG	Neighbourhood Development Partnership Grant
MAYCO	Mayoral Committee

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Municipal Manager's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies being consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Standards Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on own financial resources for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that there is neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 4 to 98, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2013:

Mr GH Akharwaray
Municipal Manager

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Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	2013	2012
Assets		
<u>Current Assets</u>		
Inventories	19,280,649	21,257,101
Trade and other receivables from exchange transactions	209,465,132	173,767,675
Trade receivables from non-exchange transactions	210,230,546	152,852,647
Cash and cash equivalents	336,560,409	171,930,590
Operating lease asset	91,113	98,017
VAT receivable	11,902,109	7,861,402
Non Current Held for Sale	1,091,861	265,439
	788,621,819	528,032,871
<u>Non-current Assets</u>		
Intangible Assets	183,654,596	183,760,064
Property, plant and equipment	1,071,174,693	942,882,882
Intangible assets	2,606,911	4,922,197
Heritage assets	6,801,943	6,801,944
Trade receivables from non-exchange transactions	3,635,319	1,711,243
Trade and other receivables from exchange transaction	484,012	67,436
	1,268,357,474	1,140,145,766
Non-Current Assets	1,268,357,474	1,140,145,766
Current Assets	788,621,819	528,032,871
Total Assets	2,056,979,293	1,668,178,637
Liabilities		
<u>Current Liabilities</u>		
Consumer deposits	15,317,566	14,098,382
Provisions	6,785,631	5,209,361
Payables from exchange transactions	138,408,435	121,682,342
Unspent conditional grants and receipts	35,105,848	7,220,003
Vat Payable from Exchange Transactions	16,530,053	12,504,229
Bank overdraft	12,595,368	11,645,158
Short-term portion of Long term liabilities	11,356,434	9,471,766
Finance lease obligation	8,898,313	8,878,132
	244,997,648	190,709,373
<u>Non-Current Liabilities</u>		
Long term liabilities	195,336,920	156,471,808
Retirement benefit obligation	186,016,318	158,629,899
Provisions	41,781,681	37,676,337
Finance lease obligation	-	89,918
	423,134,919	352,867,962
Non-Current Liabilities	423,134,919	352,867,962
Current Liabilities	244,997,648	190,709,373
Liabilities of disposal groups	-	-
Total Liabilities	668,132,567	543,577,335
Assets	2,056,979,293	1,668,178,637
Liabilities	(668,132,567)	(543,577,335)
Net Assets	1,388,846,726	1,124,601,302

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Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Figures in Rand	2013	2012
<u>Reserves</u>		
Capital replacement reserve	103,605,001	17,532,883
Insurance reserve	18,878,398	18,638,831
COID reserve	9,231,523	9,063,943
Accumulated surplus	1,257,131,804	1,079,365,651
Total Net Assets	1,388,846,726	1,124,601,308

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Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

Figures in Rand		2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	27	838,429,273	740,699,218
Rental of facilities and equipment		14,253,286	12,416,062
Income from agency services		4,859,637	3,602,984
Licences and permits		2,568,220	3,797,228
Other income	30	34,581,000	25,322,925
Interest received - Debtors	34	32,108,158	30,423,956
Interest received - Investment	34	15,173,351	8,564,973
Total revenue from exchange transactions		941,972,925	824,827,346
Revenue from non-exchange transactions			
Property rates	26	331,348,093	271,038,205
Fines		4,652,071	5,423,647
Government grants & subsidies - Capital		109,957,776	103,186,933
Government grants & subsidies - Operational		166,865,416	154,481,684
Total revenue from non-exchange transactions		612,823,356	534,130,469
Revenue from non-exchange transactions		941,972,925	824,827,346
Total revenue from non-exchange transactions		612,823,356	534,130,469
Total revenue	25	1,554,796,281	1,358,957,815
Expenditure			
Employee related costs	32	(436,412,200)	(407,814,666)
Remuneration of councillors	33	(17,242,807)	(16,415,014)
Depreciation and amortisation	35	(42,539,632)	(39,138,793)
Impairment loss/ Reversal of impairments	36	(110,818,711)	(103,687,992)
Finance costs	37	(24,693,752)	(17,087,676)
Collection costs		(1,588,909)	(58,766)
Repairs and maintenance		(68,982,050)	(68,421,694)
Bulk purchases	40	(347,215,773)	(290,022,102)
Grants and subsidies paid		(2,622,586)	(2,907,000)
Loss on disposal of assets		(1,030,268)	(1,967,970)
General expenses	31	(237,404,175)	(253,635,209)
Total expenditure		(1,290,550,863)	(1,201,156,882)
Total revenue		1,554,796,281	1,358,957,815
Total expenditure		(1,290,550,863)	(1,201,156,882)
Operating surplus		264,245,418	157,800,933

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Statement of Changes in Net Assets

	Capital Replacement Reserve (CR R)	Insurance Reserve	COID Reserve	Total Reserves	Accumulated surplus	Total net assets
Figures in Rand						
Opening balance as previously reported	1,409,116	18,561,409	8,726,551	28,697,076	837,219,365	865,916,441
Adjustments						
Correction of errors	-	-	-	-	98,544,488	98,544,488
Change in accounting policy	-	-	-	-	2,339,446	2,339,446
Balance at 01 July 2011 as restated	1,409,116	18,561,409	8,726,551	28,697,076	938,103,299	966,800,375
Changes in net assets						
Surplus for the year	-	-	-	-	157,800,933	157,800,933
Transfer to Capital Replacement Reserve	19,000,000	-	-	19,000,000	(19,000,000)	-
Property, Plant and Equipment purchased	(2,876,233)	-	-	(2,876,233)	2,876,233	-
Contribution to Insurance Reserve	-	77,422	337,392	414,814	(414,814)	-
Balance at 01 July 2012	17,532,883	18,638,831	9,063,943	45,235,657	1,079,365,651	1,124,601,308
Changes in net assets						
Surplus for the year	-	-	-	-	264,245,418	264,245,418
Transfer to Capital Replacement Reserve	110,500,000	-	-	110,500,000	(110,500,000)	-
Property, Plant and Equipment purchased	(24,427,882)	-	-	(24,427,882)	24,427,882	-
Contribution to Insurance Reserve	-	239,567	167,580	407,147	(407,147)	-
Total changes	86,072,118	239,567	167,580	86,479,265	177,766,153	264,245,418
Balance at 30 June 2013	103,605,001	18,878,398	9,231,523	131,714,922	1,257,131,804	1,388,846,726

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Cash Flow Statement

Figures in Rand	2013	2012
Cash flows from operating activities		
Receipts		
Sale of goods and services	1,230,691,580	1,062,300,269
Grants	276,823,192	252,559,853
Interest Received - Investments	15,173,351	8,564,973
Interest Received - Debtors	32,108,158	30,423,956
	<u>1,554,796,281</u>	<u>1,353,849,051</u>
Payments		
Employee costs	(453,655,007)	(424,229,680)
Suppliers	(771,550,970)	(751,043,220)
Finance costs	(24,693,752)	(17,087,676)
	<u>(1,249,899,729)</u>	<u>(1,192,360,576)</u>
Total receipts	1,554,796,281	1,353,849,051
Total payments	(1,249,899,729)	(1,192,360,576)
Net cash flows from operating activities	304,896,552	161,488,475
Cash flows from investing activities		
Purchase of property, plant and equipment	(41,570,163)	(24,757,386)
Purchase of other intangible assets	(100,078)	(3,493,200)
Purchase of Property, Plant and Equipment - WIP	(140,226,747)	(100,041,178)
Net cash flows from investing activities	(181,896,988)	(128,291,764)
Cash flows from financing activities		
Loans Raised	57,072,801	73,315,711
Loans Repaid	(16,392,756)	(6,798,420)
Net cash flows from financing activities	40,680,045	66,517,291
Net increase/(decrease) in cash and cash equivalents	163,679,609	99,714,002
Cash and cash equivalents at the beginning of the year	160,285,432	60,571,430
Cash and cash equivalents at the end of the year	323,965,041	160,285,432

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	796,303,868	8,500,000	804,803,868	838,429,273	33,625,405
Rental of facilities and equipment	14,474,340	-	14,474,340	14,253,286	(221,054)
Income from agency services	3,400,000	-	3,400,000	4,859,637	1,459,637
Licences and permits	3,080,000	-	3,080,000	2,568,220	(511,780)
Other income - (rollup)	27,724,463	31,639,387	59,363,850	34,581,000	(24,782,850)
Interest received - Investment	6,000,000	3,000,000	9,000,000	15,173,351	6,173,351
Interest received - Debtors	32,000,000	-	32,000,000	32,108,158	108,158
Total revenue from exchange transactions	882,982,671	43,139,387	926,122,058	941,972,925	15,850,867
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	331,241,111	-	331,241,111	331,348,093	106,982
Government grants & subsidies - Operational	165,146,360	3,928,000	169,074,360	166,865,416	(2,208,944)
Transfer revenue					
Fines	7,333,800	(1,500,000)	5,833,800	4,652,071	(1,181,729)
Government grants & subsidies - Capital	148,109,640	15,570,000	163,679,640	109,957,776	(53,721,864)
Total revenue from non-exchange transactions	651,830,911	17,998,000	669,828,911	612,823,356	(57,005,555)
'Total revenue from exchange transactions'	882,982,671	43,139,387	926,122,058	941,972,925	15,850,867
'Total revenue from non-exchange transactions'	651,830,911	17,998,000	669,828,911	612,823,356	(57,005,555)
Total revenue	1,534,813,582	61,137,387	1,595,950,969	1,554,796,281	(41,154,688)
Expenditure					
Personnel	(441,896,089)	(8,400,000)	(450,296,089)	(436,412,200)	13,883,889
Remuneration of councillors	(17,400,680)	-	(17,400,680)	(17,242,807)	157,873
Depreciation and amortisation	(44,060,000)	-	(44,060,000)	(42,539,632)	1,520,368
Impairment loss/ Reversal of impairments	(122,000,000)	-	(122,000,000)	(110,818,711)	11,181,289
Finance costs	(37,755,081)	1,000,000	(36,755,081)	(24,693,752)	12,061,329
Collection costs	(1,100,000)	(500,000)	(1,600,000)	(1,588,909)	11,091
Repairs and maintenance	(61,619,711)	(14,800,000)	(76,419,711)	(68,982,050)	7,437,661
Bulk purchases	(349,000,000)	-	(349,000,000)	(347,215,773)	1,784,227
Grants and subsidies paid	(3,650,000)	-	(3,650,000)	(2,622,586)	1,027,414
General Expenses	(293,365,848)	(52,767,387)	(346,133,235)	(237,404,175)	108,729,060
Total expenditure	(1,371,847,409)	(75,467,387)	(1,447,314,796)	(1,289,520,595)	157,794,201
	1,534,813,582	61,137,387	1,595,950,969	1,554,796,281	(41,154,688)
	(1,371,847,409)	(75,467,387)	(1,447,314,796)	(1,289,520,595)	157,794,201
Operating surplus	162,966,173	(14,330,000)	148,636,173	265,275,686	116,639,513
Loss on disposal of assets and liabilities	-	-	-	(1,030,268)	(1,030,268)
	162,966,173	(14,330,000)	148,636,173	265,275,686	116,639,513
	-	-	-	(1,030,268)	(1,030,268)
Surplus	162,966,173	(14,330,000)	148,636,173	264,245,418	115,609,245

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	21,283,206	1,249,321	22,532,527	19,280,649	(3,251,878)
Operating lease asset	102,466	1,432	103,898	91,113	(12,785)
Trade receivables from non-exchange transactions	158,341,585	22,401,710	180,743,295	210,230,546	29,487,251
VAT receivable	-	-	-	11,902,109	11,902,109
Consumer debtors	137,255,068	16,742,715	153,997,783	209,465,132	55,467,349
Non Current Held for Sale	-	-	-	1,091,861	1,091,861
Cash and cash equivalents	139,382,000	105,618,000	245,000,000	336,560,409	91,560,409
	456,364,325	146,013,178	602,377,503	788,621,819	186,244,316

Non-current Assets

Intangible Assets	119,252,704	576,737	119,829,441	183,654,596	63,825,155
Property, plant and equipment	1,169,410,611	(46,828,348)	1,122,582,263	1,071,174,693	(51,407,570)
Intangible assets	2,636,954	2,523,094	5,160,048	2,606,911	(2,553,137)
Heritage assets	-	-	-	6,801,943	6,801,943
Trade receivables from non-exchange transactions	-	-	-	3,635,319	3,635,319
Trade and other receivables from exchange transaction	-	-	-	484,012	484,012
	1,291,300,269	(43,728,517)	1,247,571,752	1,268,357,474	20,785,722

Non-Current Assets	456,364,325	146,013,178	602,377,503	788,621,819	186,244,316
Current Assets	1,291,300,269	(43,728,517)	1,247,571,752	1,268,357,474	20,785,722
Non-current assets held for sale (and) (assets of disposal groups)	-	-	-	-	-
Total Assets	1,747,664,594	102,284,661	1,849,949,255	2,056,979,293	207,030,038

Liabilities

Current Liabilities

Short-term portion of Long term liabilities	19,112,540	(3,997,253)	15,115,287	11,356,434	(3,758,853)
Finance lease obligation	-	-	-	8,898,313	8,898,313
Payables from exchange transactions	129,350,609	8,542,182	137,892,791	138,408,436	515,645
Consumer deposits	13,825,688	1,682,532	15,508,220	15,317,566	(190,654)
Unspent conditional grants and receipts	-	-	-	35,105,848	35,105,848
Provisions	5,357,161	294,996	5,652,157	6,785,631	1,133,474
Vat Payable from Exchange Transactions	11,465,149	2,164,461	13,629,610	16,530,053	2,900,443
Bank overdraft	8,730,658	3,263,855	11,994,513	12,595,368	600,855
	187,841,805	11,950,773	199,792,578	244,997,649	45,205,071

Non-Current Liabilities

Short-term portion of Long term liabilities	271,878,071	(50,630,266)	221,247,805	195,336,920	(25,910,885)
Retirement benefit obligation	171,559,784	15,623,497	187,183,281	186,016,318	(1,166,963)
Provisions	40,581,657	2,746,131	43,327,788	41,781,681	(1,546,107)
	484,019,512	(32,260,638)	451,758,874	423,134,919	(28,623,955)
	187,841,805	11,950,773	199,792,578	244,997,649	45,205,071

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
	484,019,512	(32,260,638)	451,758,874	423,134,919	(28,623,955)
	-	-	-	-	-
Total Liabilities	671,861,317	(20,309,865)	651,551,452	668,132,568	16,581,116
Assets	1,747,664,594	102,284,661	1,849,949,255	2,056,979,293	207,030,038
Liabilities	(671,861,317)	20,309,865	(651,551,452)	(668,132,568)	(16,581,116)
Net Assets	1,075,803,277	122,594,526	1,198,397,803	1,388,846,725	190,448,922
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Capital replacement reserve	-	-	-	103,605,001	103,605,001
Insurance reserve	-	-	-	18,878,398	18,878,398
COLD reserve	-	-	-	9,231,523	9,231,523
Accumulated surplus	1,075,803,277	122,594,526	1,198,397,803	1,257,131,803	58,734,000
Total Net Assets	1,075,803,277	122,594,526	1,198,397,803	1,388,846,725	190,448,922

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Changes in Accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2009 and 30 June 2010 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below. Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy on Revenue from Exchange Transactions and Accounting Policy on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation Accounting Policy 10). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation Accounting Policy). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Water Inventory

The estimation of water stock in the reservoirs is based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. refer to the accounting policy in the annual financial statements.

1.2.3 Budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 5% deviation. all material differences are explained in the notes/appendices to the financial statements.

1.2.4 Impairment of Property, Plant and Equipment

Accounting Policy on PPE - Impairment of assets and Accounting Policy on Intangible assets - Subsequent Measurement, Amortisation and Impairment and Accounting Policy on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of cash generating assets and GRAP 26: Impairment of Non - Cash generating Assets. Property, Plant and Equipment, GRAP 12: In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1.2.5 Impairment of financial assets

Accounting Policy on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

1.2.6 Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.2.7 Provisions and contingent liabilities

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Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.8 Useful lives of Property, Plant and Equipment

As described in Accounting Policies the municipality depreciates/ amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.9 Defined benefit plan liabilities

As described in Accounting Policy ,the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

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Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

1.2.10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy on Financial Assets Classification and Accounting Policy on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 Financial Instruments.

1.3 Statutory funds and reserves

1.3.1 Capital Replacement Reserve(CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

1.3.2 Self Insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

1.3.3 Compensation for occupational injuries and diseases (COID) reserve

The Entity has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Entity deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

1.4 Presentation of currency

These annual financial statements are presented in South African Rand(ZAR)., rounded off to the nearest Rand, which is the municipality's functional currency.

1.5 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.6 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.7 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 25 Employee Benefits - issued December 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Accounting Policies

Standards, amendments to standards and interpretations issued but not yet effective (continued)

The following GRAP standards became effective during the financial year ended 30 June 2013:

- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - October 2009

The impact of above standards becoming effective has been considered by management. The impact on of these new effective standards has been disclosed in Note 3 of the financial statements.

The ASB Directive 5 paragraph 29 allows for the Municipality to may select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.8 Property, plant and equipment

1.8.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.8.2 Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

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Accounting Policies

Property, plant and equipment (continued)

1.8.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Years
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 20
Computer equipment	5 - 7
Infrastructure	
• Roads and paving	0 - 50
• Electricity	0 - 82
• Water	0 - 120
• Sewerage	0 - 100
• Landfill sites	25 - 30
• Storm water	0 - 60
• Street lights	0 - 40
Community buildings	
• Recreational facilities	30
• Security	3 - 5
Machinery and equipment	4 - 15
Other items of plant and equipment	2 - 15
Specialised plant and equipment	2 - 15
Bins and containers	5
Specialised vehicles	5 - 15
Water network	15

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.8.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.8.5 Finance Leases:

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.8.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Accounting Policies

Property, plant and equipment (continued)

1.8.7 Derecognition of Property, Plant and Equipment

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.9 Other considerations and principles

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.10 Intangible Assets

1.10.1 Initial recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Accounting Policies

(continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the assets given up.

1.10.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.10.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Accounting Policies

(continued)

1.11 Investment Property

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

1.11.2 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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Accounting Policies

1.12 Financial instruments

1.12.1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the three categories allowed by this standard..

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets are amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

The municipality has the following types of financial assets of the face of the State of Financial Position.

Receivables from exchange transactions

Electricity
Refuse
Sewerage
Water
Miscellaneous
Market
Housing Debtors

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Receivables from Non exchange transactions

Assessment Rates Debtors
Miscellaneous
Government Subsidy Claims

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Cash and cash equivalents

Call Deposits
Notice Deposits
Cash floats and Advances

Category

Fair value
Fair value
Fair value

Operating lease

Operating lease assets

Category

Financial asset measured at amortised cost

Accounting Policies

Financial instruments (continued)

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered with institutions with maturities of three months or less and are subject to an insignificant risk of change in value. for the purposes of cash flowstatement, cash and cash equivalents comprise cash on hand, deposits held on call with banks nett of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets as financial assets. financial assets are amortised at cost.

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered with institutions with maturities of three months or less and are subject to an insignificant risk of change in value. for the purposes of cash flowstatement, cash and cash equivalents comprise cash on hand, deposits held on call with banks nett of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets as financial assets. financial assets are amortised at cost.

1.12.2 Financial liabilities - classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of financial liabilities. The classification determines how they are measured.

- Financial liabilities measured are measured at fair value

Class

Loan1
Loan2
Loan3
Other receivables1
Other receivables2
Other financial liability1
Other financial liability2

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at fair value
Financial liability measured at fair value

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Residual interest1
Residual interest2

Category

Measured at fair value
Measured at cost

Accounting Policies

1.13 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cashflow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 47.7 to the annual financial statements.

1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

1.14.1 Finance leases - lessee

Accounting Policies

Leases (continued)

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.14.2 Operating leases - municipality as a lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.14.3 Operating leases - municipality as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.15 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 Non-current assets held for sale

1.16.1 Initial recognition

Non-current Assets and Disposal municipality's are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.16.2 Subsequent measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

Accounting Policies

1.17 Revenue Recognition

1.17.1 Revenue recognition

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

1.17.2 Revenue from exchange transactions

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

1.17.3 Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and if payment is made five days before year end it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

1.17.4 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

1.17.5 Tariff charge

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Accounting Policies

Revenue Recognition (continued)

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

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Accounting Policies

Revenue Recognition (continued)

1.17.6 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.17.7 Sale of goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.8 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.17.9 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

1.17.10 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.18 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.19.1 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.19.2 Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received.

Accounting Policies

Revenue from non-exchange transactions (continued)

1.19.3 Debt forgiveness

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.19.4 Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

1.19.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.20 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Accounting Policies

1.21 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

Provisions and contingencies (continued)

1.22 Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.23 Employee benefits

1.23.1 Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1.23.2 Defined contribution plans

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

1.23.3 Defined benefit plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

1.23.4 Post-retirement health care benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1.23.5 Long-service award:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.23.6 Provincially-administered defined benefit plans:

Accounting Policies

Employee benefits (continued)

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.24 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

1.25 Impairment - General

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

Impairment - General (continued)

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

1.25.1 Impairment of Cash generated Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.25.2 Impairment of Non-Cash generated assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised

Accounting Policies

Impairment - General (continued)

immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.26 Heritage Assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

1.26.1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be called operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the necessary costs of dismantling and removing the asset and restoring the site on which located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary asset or monetary assets, of a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, it is measured at the carrying amount of the asset given up.

1.26.2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits of p.... service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised if it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

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1.27 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.28 Grants-in-Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

Accounting Policies

1.29 Value added tax

The Municipality accounts for Value Added Tax on a payment basis.

1.30 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.31 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) MFMA number 56 of 2003
- (b) Public Office Bearers Act (Act No. 20 of 1998)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.32 Changes in accounting policies, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.33 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.34 Translation of foreign currencies

1.34.1 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

1.35 Comparative figures

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.36 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.37 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Sol Plaatje Local Municipality

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Accounting Policies

Commitments (continued)

- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

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2. General Information

Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape Province, and is one of four local municipalities within the Frances Baard District Municipality. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by Constitution of the Republic of South Africa as amended and in line the Municipal Finance Management Act (MFMA).

3. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards:

GRAP 104: FINANCIAL INSTRUMENTS

The municipality developed an Accounting Policy to fully comply with GRAP 104: Financial Instruments. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

Reclassification of Financial Instruments

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2. Changes in accounting policy (continued)

FINANCIAL ASSETS

	Old Classification as per IAS39	Classification as per GRAP 104	Old carrying amount	New Carrying amount
Receivables from exchange transactions			-	-
Electricity	Loans and receivables	Amortised cost	28,583,404	28,583,404
Refuge	Loans and receivables	Amortised cost	8,469,550	8,469,550
Sewerage	Loans and receivables	Amortised cost	9,680,284	9,680,284
Water	Loans and receivables	Amortised cost	28,138,211	28,138,211
Miscellaneous	Loans and receivables	Amortised cost	41,483,763	41,483,763
Market	Loans and receivables	Amortised cost	263,782	263,782
Housing debtors	Loans and receivables	Amortised cost	4,166,861	4,166,861
Receivables from non-exchange transactions			-	-
Assessment Rates Debtors	Loans and receivables	Amortised cost	107,211,635	107,211,635
Miscellaneous	Loans and receivables	Amortised cost	767,674	767,674
Government Subsidy Claims	Loans and receivables	Amortised cost	14,117,217	14,117,217
Cash and cash equivalents			-	-
Call deposits	Available for sale	Fair value	67,673,203	67,673,203
Notice deposits	Held for maturity	Fair value	2,297,808	2,297,808
Cash floats and Advances	Available for sale	Fair value	18,604	18,604
Operating lease assets			-	-
Operating lease assets	Loans and receivables	Amortised cost	90,342	90,342
			312,962,338	312,962,338

FINANCIAL LIABILITIES

	Old Classification as per IAS39	Classification as per GRAP 104	Old carrying amount	New Carrying amount
Long-term Liabilities			-	-
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	92,616,727	92,616,727
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	8,589,960	8,589,960
Payables			-	-
Trade creditors	Financial liabilities at amortised cost	Amortised cost	77,820,838	77,820,838
Payments received in Advance	Financial liabilities at amortised cost	Amortised cost	10,464,892	10,464,892
Projects	Financial liabilities at amortised cost	Amortised cost	698,201	698,201
Retentions	Financial liabilities at amortised cost	Amortised cost	82,086	82,086
Staff Bonuses	Financial liabilities at amortised cost	Amortised cost	6,770,637	6,770,637
Staff Leave Accrued	Financial liabilities at amortised cost	Amortised cost	17,695,200	17,695,200
Sundry Deposits	Financial liabilities at amortised cost	Amortised cost	988,215	988,215
Other Creditors	Financial liabilities at amortised cost	Amortised cost	2,498,157	2,498,157
Consumer Deposits	Financial liabilities at amortised cost	Amortised cost	11,857,366	11,857,366
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	7,252,157	7,252,157
Bank Overdraft			-	-
Bank Overdraft	Fair value through profit and loss	Fair value	9,418,186	9,418,186
Current Portion of Long-term Liabilities			-	-

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2. Changes in accounting policy (continued)				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	7,184,644	7,184,644
Unspent Conditional Grants and Receipts				
Conditional grants from government	Financial liabilities at amortised cost	Amortised cost	9,238,545	9,238,545
			263,175,811	263,175,811

GRAP 21: IMPAIRMENT OF NON-CASH GENERATING ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 21: Impairment of Non-cash-generating Assets . Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 26: Impairment of Cash-generating Assets . Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The municipality has developed Accounting Policies to fully comply with GRAP 24: Presentation of Budget Information in the Financial Statements . Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix E2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Appendix E3: Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)
- Appendix E4: Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Appendix E5: Reconciliation of Table A7 Budgeted Cash Flows

Appendix E1 and E2 were also presented last year. Appendix E3, E4 and E5 are presented for the first time for the year ending 30 June 2013.

GRAP 103: HERITAGE ASSETS

The municipality has developed Accounting Policies to fully comply with GRAP 103: Heritage Assets . In the previous financial years presented, management used GRAP 103 to formulate an Accounting Policy, therefore no retrospective adjustment is required to the Annual Financial Statements.

The municipality utilised the transitional provisions under Directive 4, which allows 3 year s for the measurement of heritage assets.

The prior year figures of Property, Plant and Equipment and Heritage Assets have been restated retrospectively to correctly disclose the assets held by the municipality in terms of GRAP 103.

The effect of the Change in Accounting policy is as follows:

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2. Changes in accounting policy (continued)

	Property, Plant & Equipment	Heritage Assets	Depreciation Charge	Accumulated Surplus
Balance published as at 30 June 2011	-	-	-	-
Transfer Heritage Assets	-	-	-	-
Cost	(6,801,944)	6,801,944	-	-
Accumulated depreciation	2,339,446	-	-	2,339,446
Restated Balance as at 30 June 2011	(4,462,498)	6,801,944	-	2,339,446
	Property, Plant & Equipment	Heritage Assets	Depreciation Charge	Accumulated Surplus
Balances published as at 30 June 2012	-	-	-	-
Transfer Heritage Assets	-	-	-	-
Cost	-	-	-	-
Accumulated Depreciation	376,601	-	376,601	-
Restated balance as at 30 June 2012	376,601	-	376,601	-

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Electricity	226,548,092	(90,070,915)	136,477,177	182,573,255	(87,451,626)	95,121,629
Roads	267,324,584	(81,674,513)	185,650,071	260,284,877	(73,952,772)	186,332,105
Sewerage	257,647,904	(45,991,529)	211,656,375	224,439,221	(42,037,932)	182,401,289
Street lights	21,539,837	(8,206,472)	13,333,365	20,320,533	(7,698,806)	12,621,727
Storm water	54,407,996	(33,833,546)	20,574,450	51,551,522	(32,830,759)	18,720,763
Landfill site	29,518,533	(6,025,602)	23,492,931	25,188,242	(4,428,716)	20,759,526
Water network	252,808,156	(104,831,579)	147,976,577	202,630,625	(101,316,098)	101,314,527
Community buildings	225,174,089	(27,067,337)	198,106,752	233,861,916	(21,509,438)	212,352,478
Parks and gardens	37,087,807	(121,437)	36,966,370	36,774,219	(100,570)	36,673,649
Recreational facilities	43,986,257	(4,949,903)	39,036,354	43,986,256	(3,960,463)	40,025,793
Leased assets	5,549,239	(5,465,924)	83,315	8,850,021	(8,176,520)	673,501
Other buildings	2,115,476	(1,471,619)	643,857	2,020,338	(1,301,139)	719,199
Emergency equipment	19,321	(872)	18,449	46,572	(19,113)	27,459
Furniture and fixtures	22,262,646	(11,524,353)	10,738,293	22,382,659	(9,603,349)	12,779,310
Office equipment	9,129,490	(4,643,843)	4,485,647	10,363,518	(6,014,357)	4,349,161
Kitchen equipment	966,289	(407,699)	558,590	1,072,337	(395,317)	677,020
Laundry equipment	106,739	(24,648)	82,091	121,100	(21,420)	99,680
Medical equipment	266,135	(116,153)	149,982	330,582	(116,860)	213,722
Maintenance	1,092,072	(530,623)	561,449	1,356,593	(764,467)	592,126
Motor vehicles	72,012,609	(31,684,693)	40,327,916	44,358,316	(28,281,865)	16,076,451
Plant and machinery	449,519	(194,837)	254,682	553,396	(201,626)	351,770
Total	1,530,012,790	(458,838,097)	1,071,174,693	1,373,066,098	(430,183,213)	942,882,885

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Electricity	95,121,629	854,476	-	(233,501)	43,773,477	(3,038,905)	136,477,176
Roads	186,332,104	-	-	-	7,039,709	(7,721,741)	185,650,072
Street lights	12,621,728	-	-	-	1,219,302	(507,666)	13,333,364
Sewerage	182,401,289	90,558	-	-	33,118,124	(3,953,596)	211,656,375
Storm water	18,720,759	-	-	-	2,856,474	(1,002,787)	20,574,446
Landfill site	20,759,526	4,330,292	-	-	-	(1,596,887)	23,492,931
Water network	101,314,527	442,839	-	-	49,734,692	(3,515,481)	147,976,577
Community buildings	212,352,489	-	(10,866,147)	-	2,178,319	(5,557,899)	198,106,762
Parks and gardens	36,673,645	-	-	-	313,589	(20,867)	36,966,367
Recreational facilities	40,025,785	-	-	-	-	(989,439)	39,036,346
Leased assets	673,501	-	-	-	(6,939)	(583,248)	83,314
Other buildings	719,200	341,619	-	(1,924)	-	(415,037)	643,858
Emergency equipment	27,459	17,683	-	(21,970)	-	(4,722)	18,450
Furniture and fixtures	12,779,309	2,357,280	-	(1,007,229)	-	(3,391,068)	10,738,292
Office equipment	4,349,164	2,789,533	-	(557,696)	-	(2,095,350)	4,485,651
Kitchen equipment	677,019	101,630	-	(108,220)	-	(111,839)	558,590
Laundry equipment	99,679	-	-	(9,521)	-	(8,068)	82,090
Medical equipment	213,721	40,505	-	(70,813)	-	(33,430)	149,983
Maintenance	592,125	488,397	-	(259,578)	-	(259,495)	561,449
Motor vehicles	16,076,454	29,715,351	-	(311,739)	-	(5,152,147)	40,327,919
Plant and machinery	351,770	-	-	(37,961)	-	(59,128)	254,681
	942,882,882	41,570,163	(10,866,147)	(2,620,152)	140,226,747	(40,018,800)	1,071,174,693

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Electricity	86,277,787	841,606	-	11,016,042	(3,013,806)	95,121,629
Roads	194,018,583	52,838	-	-	(7,739,317)	186,332,104
Street lights	11,774,968	-	-	1,322,682	(475,922)	12,621,728
Sewerage	110,385,543	8,269,472	(1,963,434)	68,643,793	(2,934,085)	182,401,289
Storm water	19,726,296	-	-	-	(1,005,535)	18,720,761
Landfill site	20,582,391	1,647,306	-	-	(1,470,171)	20,759,526
Water network	88,037,019	5,213,241	(4,536)	11,408,357	(3,339,554)	101,314,527
Community Buildings	213,181,008	-	-	4,582,621	(5,411,140)	212,352,489
Parks and gardens	35,845,255	865,151	-	-	(36,761)	36,673,645
Recreational facilities	39,006,706	-	-	2,011,237	(992,158)	40,025,785
Leased assets	1,950,680	-	-	-	(1,277,179)	673,501
Other buildings	649,661	253,329	-	-	(183,790)	719,200
Emergency equipment	27,170	-	-	-	289	27,459
Furniture and fixtures	14,344,439	1,063,360	-	-	(2,628,490)	12,779,309
Office equipment	1,328,039	4,946,799	-	-	(1,925,673)	4,349,165
Kitchen equipment	693,603	-	-	-	(16,584)	677,019
Laundry equipment	100,043	-	-	-	(364)	99,679
Medical equipment	215,277	-	-	-	(1,556)	213,721
Maintenance	915,646	104,920	-	-	(428,441)	592,125
Motor vehicles	17,354,163	1,499,364	(218,010)	1,056,446	(3,615,509)	16,076,454
Plant and machinery	349,027	-	-	-	2,743	351,770
	856,763,304	24,757,386	(2,185,980)	100,041,178	(36,493,003)	942,882,885

Pledged as security

Carrying amount of Property, Plant and Equipment retired from active use and held for disposal:

Leased Assets	83,314	2,717,251
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The municipality's obligations under Finance Leases (see Appendix B) are secured by the lessors' title to the leased assets.

Other information

Property, plant and equipment temporarily idle (Carrying amount)

An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:

2,639,298	-
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Property, plant and equipment retired from active use and held for disposal (Carrying amount)

Other	(2,386,651)	(218,010)
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Refer to Appendices "B, C and E(2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Property, Plant and Equipment have been restated to include certain assets which were previously erroneously excluded from the Municipality's Asset Register. Refer to note 45 on Correction of Error for details on the restatement.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

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5. Employee benefit obligations

Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Balance at the beginning of the year	(162,403,503)	(138,942,199)
Contributions to provision	3,773,604	3,257,460
Expenditure incurred	(22,398,198)	(20,870,361)
Actuarial (gains) / losses	(9,088,969)	(5,848,403)
Asset not recognised	4,100,748	3,773,604
	(186,016,318)	(158,629,899)
Non-current liabilities	(186,016,318)	(158,629,899)
Current liabilities	(4,100,748)	(3,773,604)
	(190,117,066)	(162,403,503)

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	1,284	1,284
In-service Non-members (Employees)	691	691
Continuation Members (Retirees, widowers and orphans)	149	149
	2,124	2,124

Changes in the present value of the defined benefit obligation are as follows:

Balance at the beginning of the year	162,403,503	138,942,199
Current service cost	9,455,725	8,898,172
Interest cost	12,942,500	11,972,189
Benefits paid	(3,773,604)	(3,257,460)
Actuarial (gains) / losses	5,848,403	5,848,403
	186,876,527	162,403,503

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Notes to the Annual Financial Statements

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5. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	9,455,725	8,898,172
Interest cost	12,942,473	11,972,189
	22,398,198	20,870,361

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Assumptions used at the reporting date:

Health care cost inflation rate	7.90 %	7.05 %
Discount rate	9.10 %	8.06 %
Net effective discount rate	1.11 %	0.94 %
Expected rate of salary increase	6.40 %	6.50 %
Expected retirement age - females	58	58
Expected retirement age - males	62	62

	2013	2012	2011	2010	2009
Present value of defined benefit obligations	190,117,066	162,403,503	138,942,199	117,046,164	113,425,731
	190,117,066	162,403,503	138,942,199	117,046,164	113,425,731

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase

Effect on the aggregate of the current service cost and the interest cost	25,586,500	25,046,800
Effect on the defined benefit obligation	215,356	183,755,000

Decrease

Effect on the aggregate of the current service cost and the interest cost	19,594,300	17,566,900
Effect on the defined benefit obligation	168,107,000	143,774,000

6. Non current assets held for sale

Non-current Assets are held for Sale:

	2013	2012
Other Assets Held-for-Sale-at cost	1,091,861	1,091,861
Subtotal	1,091,861	265,439
	1,091,861	1,091,861

Non-current Assets Held-for-Sale have been restated to adhere to the disclosure provisions of GRAP 100.

6.1 Other Assets Held-for-Sale

The municipality is seeking to dispose of its redundant and obsolete computers and anticipates that the disposal will be completed by 30 June 2014. The major classes of assets and liabilities comprising the operations classified as held-for-sale at the balance sheet date are as follows:

	2013	2012
Property, Plant and Equipment	1,091,861	265,439

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7. Inventories		
Inventory stores - at cost	18,195,624	19,756,250
Water	1,085,025	1,500,851
	1,085,025	1,500,851
	19,280,649	21,257,101
Inventory pledged as security		
No inventory has been pledged as security for liabilities.		
The net realisable value of the above water inventory is seen higher than the cost as stipulated above.		
The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value of which was approved by Council amounted to R156,606 (2012: R130,746).		
The cost of Inventories recognised as an expense during the period was R40,111,630 (2012: R34,491,348).		
8. Trade receivables from exchange transactions		
Gross balances		
Electricity	110,747,017	94,018,863
Refuse	38,122,558	26,083,800
Sewerage	46,895,035	30,283,972
Water	164,280,041	99,849,172
Miscellaneous	261,958,537	222,084,041
Market	806,126	751,602
Housing Debtors	18,896,383	14,917,520
Current portion - Exchange Transactions	(3,635,319)	(1,711,243)
	638,070,378	486,277,727
Less: Allowance for impairment		
Rates	-	-
Electricity	(82,577,640)	(60,210,048)
Refuse	(22,909,645)	(16,704,169)
Sewerage	(26,598,695)	(19,393,975)
Water	(87,698,456)	(63,943,802)
Miscellaneous	(195,058,474)	(142,223,490)
Market	(660,139)	(481,329)
Housing debtors	(13,102,197)	(9,553,239)
	(428,605,246)	(312,510,052)
Net balance		
Electricity	28,169,377	33,808,815
Refuse	15,212,913	9,379,631
Sewerage	20,296,340	10,889,997
Water	76,581,585	35,905,370
Miscellaneous	66,900,063	79,860,551
Market	145,987	270,273
Housing rental	5,794,186	5,364,281
Rates	(3,635,319)	(1,711,243)
	209,465,132	173,767,675
Current portion of exchange transaction		
Arrangements - Non Current portion	(3,635,319)	(1,711,243)

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8. Trade receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	50,595,403	43,159,146
31 - 60 days	6,500,666	6,579,639
61 - 90 days	3,299,108	4,066,134
+ 90 days	50,351,840	40,213,945
Provision for impairment	(82,577,640)	(60,210,049)
	28,169,377	33,808,815
Water		
Current (0 -30 days)	29,431,200	16,688,904
31 - 60 days	9,501,002	6,121,535
61 - 90 days	9,885,633	4,907,912
+ 90 days	115,462,206	72,130,823
Provision for impairment	(87,698,456)	(63,943,804)
	76,581,585	35,905,370
Sewerage		
Current (0 -30 days)	4,102,778	2,657,782
31 - 60 days	2,668,664	1,454,433
61 - 90 days	2,594,721	1,198,893
+ 90 days	37,528,872	24,972,864
Provision for impairment	(26,598,695)	(19,393,975)
	20,296,340	10,889,997
Refuse		
Current (0 -30 days)	3,164,232	2,196,932
31 - 60 days	1,981,442	1,164,123
61 - 90 days	1,925,038	946,739
+ 90 days	31,051,846	21,776,009
Provision for impairment	(22,909,645)	(16,704,172)
	15,212,913	9,379,631
Market		
Current (0 -30 days)	806,126	751,602
Provision for impairment	(660,139)	(481,329)
	145,987	270,273
Housing Rentals		
Current (0 -30 days)	528,623	516,951
31 - 60 days	461,387	403,519
61 - 90 days	452,830	394,494
+ 90 days	17,453,543	13,602,556
Provision for impairment	(13,102,197)	(9,553,239)
	5,794,186	5,364,281

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Figures in Rand	2013	2012
8. Trade receivables from exchange transactions (continued)		
Miscellaneous		
Current (0 -30 days)	15,631,786	9,974,524
31 - 60 days	7,824,099	5,614,495
61 - 90 days	10,387,429	4,878,768
+ 90 days	228,921,349	201,616,254
Provision for impairment	(195,058,474)	(142,223,490)
Undefined Difference	(806,126)	-
	66,900,063	79,860,551
Summary of debtors by customer classification		
Household		
Current (0 -30 days)	71,044,067	61,081,475
31 - 60 days	21,996,176	14,574,475
61 - 90 days	25,726,362	12,555,704
+ 90 days	394,501,662	273,587,764
	513,268,267	361,799,418
Less: Allowance for impairment	(315,621,009)	(199,525,814)
	197,647,258	162,273,604
Industrial / Commercial		
Current (0 -30 days)	36,329,911	30,551,299
31 - 60 days	7,609,537	7,968,727
61 - 90 days	4,925,403	4,965,126
+ 90 days	90,298,986	85,752,798
	139,163,837	129,237,950
Less: Allowance for impairment	(58,529,902)	(58,529,902)
	80,633,935	70,708,048
National and provincial government		
Current (0 -30 days)	10,195,580	8,240,277
31 - 60 days	4,914,499	3,381,505
61 - 90 days	2,374,247	2,313,602
+ 90 days	122,320,047	72,789,435
	139,804,373	86,724,819
Less: Allowance for impairment	(54,454,335)	(54,454,335)
	85,350,038	32,270,484
Total		
Current (0 -30 days)	51,790,759	99,873,051
31 - 60 days	18,847,858	25,924,707
61 - 90 days	15,076,113	19,834,432
+ 90 days	413,918,741	432,129,997
	499,633,471	577,762,187
Less: Allowance for impairment	(428,605,246)	(312,510,051)
	71,028,225	265,252,136

Consumer debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer debtors.

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8. Trade receivables from exchange transactions (continued)

The municipality receives applications that is processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represents more than 5% of the total balance of consumer debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair value.

Ageing of impaired consumer debtors

Current (0 -30 days)	(3,444,494)	(2,511,493)
31 - 60 days	(2,627,402)	(1,915,725)
+ 60 days	(2,296,364)	(1,674,354)
91 - 120 days	(420,236,986)	(306,408,480)
	(428,605,246)	(312,510,052)

Reconciliation of allowance for impairment

Balance at beginning of the year	(312,510,052)	(258,924,531)
Contributions to allowance	(122,000,000)	(106,663,513)
Debt impairment written off against allowance	9,214,739	56,387,926
Reversal of allowance	(3,309,933)	(3,309,934)
	(428,605,246)	(312,510,052)

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Further more the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of consumer debtors has been made for all consumer balances outstanding based on the payment ration over 12 months per service type. No further credit provision is required in excess of the Provision for impairment..

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Figures in Rand	2013	2012
9. Trade receivables from non-exchange transactions		
Assessment rates	150,530,780	90,864,243
Miscellaneous debtors	6,167,254	5,287,681
Government subsidy claims	54,016,524	56,768,159
Non Current portion of trade receivables	(484,012)	(67,436)
	210,230,546	152,852,647

9.1 Ageing of Consumer Debtors

Rates: Ageing	-	-
<u>Current:</u>	-	-
0 - 30 days	14,115,536	12,280,760
<u>Past Due:</u>	-	-
31 - 60 days	5,582,952	4,567,574
61-90 Days	4,481,253	3,420,460
+90 Days	126,351,039	69,504,414
	150,530,780	89,773,208

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments. Additional text

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	15,470	15,470
Bank overdraft	(12,595,368)	(11,645,158)
Call Deposits	336,544,939	171,915,120
	323,965,041	160,285,432
Current assets	336,560,409	171,930,590
Current liabilities	(12,595,368)	(11,645,158)
	323,965,041	160,285,432

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

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10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Standard Bank of South Africa Ltd - Cheque account - 040065367	14,461,800	5,403,112	7,353,379	(8,857,227)	(15,864,737)	(5,541,231)
Standard Bank of South Africa Ltd - Cheque account - 040065405	-	-	(33)	19,064,484	16,810,698	8,833,715
Standard Bank of South Africa Ltd - Cheque account - 040065391	-	(240)	-	1,267,074	9,488,534	5,185,140
Standard Bank - Account Type - 040065393	20	-	-	-	-	-
Standard Bank - Account Type - 040036340	-	-	-	-	-	-
Total	14,461,820	5,402,872	7,353,346	11,474,331	10,434,495	8,477,624

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 4.7% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate of 5.28 % per annum.

A fixed deposit of R2,371,736 (2012: R2,297,808) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour Compensation Commissioner.

A fixed deposit of R20,973,203(2012: R20,973,204) was invested and ceded to Developent Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

Interest on overdrawn current accounts are charged at the banker's prime rate per annum. Interest is earned at different rates per annum on favourable balances.

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

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11. Operating lease asset (accrual)		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Non-current assets - Operating Leases	-	-
Balance at 30 June	98,017	90,342
Operating Lease expenses recorded	438,332	450,802
Operating Lease payment received	(445,236)	(443,127)
	91,113	98,017

11.1 Leasing Arrangements

The Municipality as Lessor

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

	2013	2012	Total
Rental Revenue earned from Investment Property	444,901	442,820	887,721
Operating expenses on investment property	113,113	115,497	228,610
	558,014	558,317	1,116,331

11.2 Amounts receivable under Operating leases

At the Reporting date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

	Up to 1 year	2 to 5 years	More than 5 years	Total OL Arrangements
2013	322,481	730,556	83,629	1,136,666
2012	430,293	996,545	154,991	1,581,829
	752,774	1,727,101	238,620	2,718,495

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R6,903 (2012: R7,675)

The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lease shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lease shall use the premises let for the sole purpose prescribed in the agreement.

12. VAT receivable

VAT Receivable from Exchange Transactions	11,902,109	7,861,402
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VAT is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS.

Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

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13. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	12,007,108	(9,400,197)	2,606,911	10,879,815	(5,957,618)	4,922,197

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	4,922,197	100,078	(2,415,364)	2,606,911

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,969,020	3,493,200	(2,540,023)	4,922,197

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

14. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	36,155	-	36,155	36,156	-	36,156
Conservation areas	1,044,613	-	1,044,613	1,044,613	-	1,044,613
Historical buildings	5,721,175	-	5,721,175	5,721,175	-	5,721,175
Total	6,801,943	-	6,801,943	6,801,944	-	6,801,944

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14. Heritage assets (continued)

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain heritage asset with a carrying value of R - (2012: R -) were recognised at provisional amounts. Carrying amounts of heritage asset carried at provisional amounts are as follows:

Due to initial adoption of GRAP 103

Monuments	-	-
Municipal jewellery	-	-
Paintings	-	-

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

Heritage Assets Have been identified and put into groups listed above. Specialist in the different areas will be appointed to determine value where possible in the financial year 2014/2015.

Provisional amounts retrospectively adjusted during the year, are as follows (refer to note 2 for effect on the annual financial statements:

Monuments	-	-
Municipal jewellery	-	-
Paintings	-	-

The date at which full compliance with GRAP 103 is expected, is 30 June 2014.

15. Intangible Assets

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	184,182,230	(527,634)	183,654,596	184,182,229	(422,165)	183,760,064

Reconciliation of intangible assets - 2013

	Opening balance	Depreciation	Total
Investment property	183,760,064	(105,468)	183,654,596

Reconciliation of intangible assets - 2012

	Opening balance	Disposals	Depreciation	Total
Investment property	185,734,594	(1,868,772)	(105,758)	183,760,064

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16. Trade receivables from non-exchange transactions

Arrangements - Exchange Transaction	2013	2012	Movement
Arrangements	3,635,319	1,711,243	1,924,076
	3,635,319	1,711,243	1,924,076

-

1,924,076

Arrangements - Non Exchange Transactions	2013	2012	Movement
Arrangements	484,012	67,436	653,564
	484,012	67,436	653,564

-

653,564

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

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17. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and Reserves - 2013:

	Capital replacement reserve	Self Insurance reserve	COID reserve	Accumulated surplus due to the results of Operations	
Opening balance	17,532,883	18,638,831	9,063,943	(45,235,658)	-
Transfer to capital replacement reserve	110,500,000	-	-	(110,500,000)	-
Property, plant and equipment purchases	(24,427,882)	-	-	24,427,882	-
Contribution to insurance reserve	-	239,567	167,580	(407,148)	-
	103,605,001	18,878,398	9,231,523	(131,714,924)	-

The Accumulated Surplus consists of the following Internal Funds and Reserves - 2012:

	Capital replacement reserve	Self insurance reserve	COID reserve	Accumulated surplus due to the results of Operations	Total
Opening balance	1,409,116	18,561,409	8,726,551	-	28,697,076
Transfer to capital replacement reserve	19,000,000	-	-	-	19,000,000
Property, plant and equipment purchases	(2,876,233)	-	-	-	(2,876,233)
Contribution to insurance reserve	-	77,422	337,392	(19,000,000)	(18,585,186)
	17,532,883	18,638,831	9,063,943	(19,000,000)	26,235,657

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully cash backed.

The Self-insurance Reserve covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The COID Reserve arises on the exemption from making contributions to the Compensation Commissioner on Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

18. Other financial liabilities

Designated at fair value

Annuity Loans	195,336,920	156,471,806
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At amortised cost

Annuity Loans	11,356,434	9,471,766
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Total other financial liabilities

206,693,354	165,943,572
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The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two loans with the DBSA.

Refer to Appendix "A" for more detail on Long-term Liabilities.

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19. Finance lease obligation		
Minimum lease payments due		
- within one year	8,898,313	9,074,999
- in second to fifth year inclusive	-	535,605
	8,898,313	9,610,604
less: future finance charges	-	(642,554)
Present value of minimum lease payments	8,898,313	8,968,050
Present value of minimum lease payments due		
- within one year	8,898,313	8,878,132
- in second to fifth year inclusive	-	89,918
	8,898,313	8,968,050
Non-current liabilities	-	89,918
Current liabilities	8,898,313	8,878,132
	8,898,313	8,968,050

Finance Leases relate to Property, Plant and Equipment with lease terms of between 3 and 5 years (2012: 3 and 5 years). The effective interest rate on Finance Leases is between 0.88% and 9.83% (2012: 0.88% and 9.83%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality has finance lease agreements for the following significant classes of assets:

- Office equipment

Included in these classes are the following significant leases:

(i) **Itec Digital Copier**

- Instalments are payable monthly in advance
- Average period outstanding 6 months
- Average effective interest rate 5.14%
- Average monthly instalment R2,462.03

(ii) **Scania Power Generator**

- Instalments are payable monthly in advance
- Average period outstanding 0 months
- Average effective interest rate 3.71%
- Average quarterly instalment R13,170.00

(iii) The average period outstanding refers to the number of months of which the contract is still valid or runs of which the most of them ends in December 2013 and January 2014. The monthly instalments have been fully paid for the current financial year 2012/2013.

(iv) Scania Power Generator the contract has ended in June 2013.

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Grants	35,105,848	7,220,000
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20. Unspent conditional grants and receipts (continued)

See Note 29 for the reconciliation of Grants from Other Spheres of Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

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21. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re- measurement or settlement without cost to entity	Total
Rehabilitaion of Land-fill sites	25,188,242	4,330,291	-	-	-	29,518,533
Long-Term Service	13,372,118	2,128,354	803,887	(1,435,757)	(544,778)	14,323,824
Ex-Gratia Arrangements	551,734	-	45,394	-	27,079	624,207
Post-retirement medical aid benefits liability	3,773,604	327,144	-	-	-	4,100,748
	42,885,698	6,785,789	849,281	(1,435,757)	(517,699)	48,567,312

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re- measurement or settlement without cost to entity	Total
Rehabilitaion of Land-fill sites	23,540,936	1,647,306	-	-	-	25,188,242
Long-Term Service	9,718,623	1,803,302	686,621	(1,510,394)	2,673,966	13,372,118
Ex-Gratia Arrangements	477,682	-	39,780	-	34,272	551,734
Post-retirement medical aid benefits liability	3,257,460	516,144	-	-	-	3,773,604
	36,994,701	3,966,752	726,401	(1,510,394)	2,708,238	42,885,698

Non-current liabilities	41,781,681	37,676,337
Rehabilitation of Land-fill sites	29,518,533	25,188,242
Long-Term Service	11,638,941	11,936,361
Ex-Gratia Arrangements	624,207	551,734
Current liabilities	6,785,631	5,209,361
Short-term portion of Long-Term Service	2,684,883	1,435,757
Short-term portion of Retirement Medical Benefit	4,100,748	3,773,604
	48,567,312	42,885,698

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21. Provisions (continued)

The provision obligation is split up in three categories, namely Rehabilitation of Land-fill sites, Long-Term Service and Ex-Gratia Arrangements.

Ex-Gratia Arrangements

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 2 employees were eligible for Ex-gratia arrangement awards.	2013	2012
The interest costs for the year is estimated to be:	45,394.00	39,780.00

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.23%	8.33%
Cost Inflation Rate	7.13%	6.35%
Net Effective Discount Rate	1.02%	1.86%
Expected Rate of Salary Increase	6.25%	6.25%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	551,734	477,682
Interest cost	45,394	39,780
Actuarial losses / (gains)	27,079	34,272
Present Value of Fund Obligation at the end of the Year	624,207	551,734
Actuarial losses / (gains) unrecognised		
Total Recognised Benefit Liability	<u>624,207</u>	<u>551,734</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	45,394	39,780
Actuarial losses / (gains)	27,079	34,272
Total Post-retirement Benefit included in Employee Related Costs	<u>72,473</u>	<u>74,052</u>

The history of experienced adjustments is as follows:

	2013	2012	2011	2010	2009
	R	R	R	R	R
Present Value of Defined Benefit Obligation	624,207	551,734	477,682	413,564	396,597
Deficit	624,207	551,734	477,682	413,564	396,597

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	2013	2012
Increase:		
Effect on the aggregate of the interest cost	43,230	37,628

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Figures in Rand	2013	2012
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21. Provisions (continued)

Effect on the defined benefit obligation	594,508	519,115
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2013

2012

21. Provisions (continued)

Decrease:

Effect on the aggregate of the interest cost	36,599	31,350
Effect on the defined benefit obligation	511,962	439,492

Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1,975 (2012: 1,975) employees were eligible for Long-service Awards.

The current service cost for the year is estimated to be R2,128,354 (2012: R1,803,302), whereas the interest costs for the current year is estimated to be R803,887 (2012: R686,621).

2013

2012

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	6.35%	7.65%
Cost Inflation Rate	5.98%	6.25%
Net Effective Discount Rate	0.35%	1.32%
Expected Rate of Salary Increase	6.50%	6.25%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	12,721,874	9,068,379
Current service costs	2,128,354	1,803,302
Interest cost	803,887	686,621
Benefits paid	(1,435,757)	(1,510,394)
Actuarial losses / (gains)	(544,778)	2,673,966
Present Value of Fund Obligation at the end of the Year	13,673,580	12,721,874
Actuarial losses / (gains) unrecognised		
Total Recognised Benefit Liability	<u>13,673,580</u>	<u>12,721,874</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	13,673,580	12,721,874
Total Benefit Liability	<u>13,673,580</u>	<u>12,721,874</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	2,128,354	1,803,302
Interest cost	803,887	686,621
Expected return on plan assets	-	-
Benefits paid	(1,435,757)	(1,510,394)
Actuarial losses / (gains)	(544,778)	2,673,966
Total Post-retirement Benefit included in Employee Related Costs	<u>951,706</u>	<u>3,653,495</u>

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was R0 (2012: R0).

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Figures in Rand	2013	2012
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21. Provisions (continued)

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	13,673,580	12,721,874	9,068,379	8,770,794	8,371,062
Deficit	13,673,580	12,721,874	9,068,379	8,770,794	8,371,062

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	2,587,251	2,551,158
Effect on the defined benefit obligation	14,055,000	10,060,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	2,399,628	2,322,008
Effect on the defined benefit obligation	12,740,000	9,398,000

Rehabilitation of Land-fill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

29,518,533	25,188,242
------------	------------

An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Border area.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2013	2012
Inflation Rate	6.55%	4.91%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	26,000	26,000
Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.		

22. VAT payable from exchange transactions

VAT payable from exchange transactions	16,530,053	12,504,229
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VAT is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS.

Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

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Figures in Rand	2013	2012
23. Payables from exchange transactions		
Trade payables	93,158,754	80,673,473
Payments received in advanced - contract in process	14,122,811	13,269,311
Staff Bonuses	7,697,949	7,375,533
Other creditors	53,127	53,127
Accrued leave pay	23,375,794	20,310,898
	138,408,435	121,682,342

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

Staff Leave accrue to the staff of the municipality on an monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

24. Consumer deposits

Electricity and Water	15,317,566	14,098,382
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25. Revenue

Service charges	838,429,273	740,699,218
Rental of facilities and equipment	14,253,286	12,416,062
Income from agency services	4,859,637	3,602,984
Licences and permits	2,568,220	3,797,228
Other income	34,581,000	25,322,925
Interest received - investment	15,173,351	8,564,973
Dividends received	32,108,158	30,423,956
Property rates	331,348,093	271,038,205
Government grants & subsidies	166,865,416	154,481,684
Fines	4,652,071	5,423,647
Other transfer revenue	109,957,776	103,186,933
	1,554,796,281	1,358,957,815

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	838,429,273	740,699,218
Rental of facilities and equipment	14,253,286	12,416,062
Income from agency services	4,859,637	3,602,984
Licences and permits	2,568,220	3,797,228
Other income	34,581,000	25,322,925
Interest received - investment	15,173,351	8,564,973
Dividends received	32,108,158	30,423,956
	941,972,925	824,827,346

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Figures in Rand	2013	2012
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25. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	331,348,093	271,038,205
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Transfer revenue

Government grants & subsidies	166,865,416	154,481,684
-------------------------------	-------------	-------------

Fines	4,652,071	5,423,647
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Other transfer revenue	109,957,776	103,186,933
------------------------	-------------	-------------

612,823,356	534,130,469
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26. Property rates

Rates received

Residential	98,736,243	80,365,588
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Residential Business	136,957,822	112,141,378
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Rural	79,548,015	1,587,860
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Industrial	2,456,917	3,411,962
------------	-----------	-----------

PSI	3,760,213	65,170,530
-----	-----------	------------

State	8,692,447	7,227,573
-------	-----------	-----------

Property rates	1,196,436	1,133,314
----------------	-----------	-----------

331,348,093	271,038,205
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Valuations

Residential	10,986,285,445	10,862,244,986
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Business	2,665,578,116	2,674,320,101
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Residential Business	217,244,800	238,095,700
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Rural	1,028,868,914	1,037,324,014
-------	---------------	---------------

Industrial	205,155,700	204,863,200
------------	-------------	-------------

PSI	31,397,800	31,397,800
-----	------------	------------

State	1,870,006,000	1,859,452,500
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Mining	7,273,300	8,274,240
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Exempt	916,641,264	687,353,434
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17,928,451,339	17,603,325,975
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Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2011. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

27. Service charges

Sale of electricity	539,544,038	480,069,986
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Sale of water	198,997,137	169,936,398
---------------	-------------	-------------

Refuse removal	41,220,691	37,730,629
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Sewerage and sanitation charges	58,667,407	52,961,510
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Other service charges	-	695
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838,429,273	740,699,218
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The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

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Annual Financial Statements for the year ended 30 June 2013

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Figures in Rand	2013	2012
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28. Government grants and subsidies

Govenment Grant - Operational	166,865,416	154,481,684
Government grants - Capital	109,957,776	103,186,933
	276,823,192	257,668,617

Local Government: Local Municipalities

Balance unspent at beginning of year	-	1,208,696
Current year receipts	2,106,160	1,009,000
Conditions met - transferred to revenue: operating expenses	(800,000)	(2,217,696)
Conditions still to be met	(1,306,160)	-
	-	-

Conditions still to be met - remain liabilities (see note 20)

The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix F). No funds have been withheld.

National: MIG

Current year receipts	55,028,000	45,363,000
Conditions met - transferred to revenue: operating expenses	(1,215,335)	(1,369,595)
Conditions met - tranfered to revenue: capital expenses	(50,674,321)	(43,993,405)
Conditions stil to be met	(3,138,344)	-
	3,138,344	-

Conditions still to be met - remain liabilities (see note 20)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

Provincial: Grants

Current year receipts	10,600,457	4,651,204
Conditions met - transferred to revenue: capital expenses	(3,100,457)	(1,047,684)
Conditions still to be met - transferred to Liabilities(see note 16)	(3,239,841)	(3,603,520)
Conditions still to be met	(4,260,159)	-
	-	-

Conditions still to be met - remain liabilities (see note 20)

The grant is spent in accordance with business plans approved by the Provincial Government (included in APpendix F). No funds have been withheld.

Others spheres of Government: Various

Balance unspent at beginning of year	-	-
Current year receipts	7,768,133	24,448,399
Conditions met - transferred to revenue: capital expenses	(7,768,133)	(24,448,399)
	-	-

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Notes to the Annual Financial Statements

Figures in Rand	2013	2012
28. Levies (continued)		
Conditions still to be met - remain liabilities (see note 20)		
The grant is spent in accordance with business plans approved by the Lotto (included in Appendix F). No funds have been withheld.		
Provincial: Health Subsidy		
Current year receipts	2,525,000	2,435,000
Conditions met - transferred to revenue: operating expenses	(2,525,000)	(2,435,000)
	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to health services (included in Appendix F).		
Other subsidies		
Current year receipts - Liabary	1,295,000	1,086,000
Current year receipts - Provincial resort subsidy	-	612,000
Conditions met - transferred to revenue: capital	(1,395,000)	(1,698,000)
Current year receipts - Miscellaneous	100,000	-
	-	-
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to resort expenditure (included in Appendix F). The conditions of the grant have been met.		
National: FMG		
Current year receipts	1,500,000	1,450,000
Conditions met - transferred to revenue: operating expenses	(1,500,000)	(1,450,000)
	-	-
Conditions still to be met - remain liabilities (see note 20)		
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
National: EPWP		
Current year receipts	7,660,000	11,462,340
Conditions met - transferred to revenue: operating expenses	(7,660,000)	(11,462,340)
	-	-
Conditions still to be met - remain liabilities (see note 20)		
The grant was used for various projects (included in Appendix F). No funds have been withheld.		
National: Funds		
Balance unspent at beginning of year	7,220,000	8,029,848
Current year receipts	69,633,291	26,218,365
Conditions met - transferred to revenue: operating expenses	(2,176,624)	(995,368)
Conditions met - transferred to revenue: capital expenses	(46,969,321)	(26,032,845)
	27,707,346	7,220,000

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Figures in Rand	2013	2012
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28. Levies (continued)

Conditions still to be met - remain liabilities (see note 20)

The grant was used for various projects (included in Appendix F). No funds have been withheld.

29. Public contributions and donations

No Public contributions were received for the financial year..

30. Other income

Premiums received and claims recovered	4,097,719	3,696,429
Admission and transaction fees	3,787,610	2,427,322
Burial Fees	1,471,516	1,323,416
Disconnections	10,851,050	3,346,716
Dues	3,475,168	3,101,700
Miscellaneous revenue	6,241,103	6,949,328
Pail and vacuum fees	901,414	822,181
Unclaimed fines, deposits and state cheques	1,410,392	1,585,783
Other income	2,345,028	2,070,050
	34,581,000	25,322,925

The amounts disclosed above for Other Income (Revenue) are in respect of services, other than described in Notes 22 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

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Figures in Rand	2013	2012
31. General expenses		
Auditors fees	3,293,316	4,047,921
Audit committee	228,288	433,950
Bank Charges	1,895,540	1,551,927
Claims paid	1,063,043	1,442,254
Clarification	4,942,090	5,115,722
Cleaning Material	409,782	425,794
Conferences and seminars	6,271,078	5,497,113
Course fees / Central training fund	4,041,403	3,670,849
Discount on early payment	22,727,491	7,200,676
Electricity	38,555,240	39,529,749
Fuel and oil	8,591,645	9,230,201
FMG Interns	748,627	794,121
Hire of labour	1,410,436	1,204,600
Indigent subsidy	7,691,312	43,424,481
Insurance	3,967,707	3,478,453
Job cleaning project	6,432,438	6,836,118
Laboratory	422,172	260,355
Legal Fees	1,492,362	2,742,488
Membership and subscription fees	3,721,462	2,946,088
Postage and courier	1,844,268	1,446,947
Printing & Stationery	4,458,744	4,620,826
Professional fees	24,037,622	19,187,663
Projects	36,900,114	38,681,865
Projects EPWP	9,378,945	11,462,340
Protective Clothing	1,325,087	1,388,419
Refuse	1,015,971	519,752
Sanitation	1,207,314	1,046,053
Sport	883,465	355,876
Stores	1,589,223	1,508,107
Sundries	265,690	565,894
Telephone and fax	4,818,307	5,654,638
Training	1,663,989	1,417,056
Uniforms	1,216,331	1,186,352
Water	13,180,143	11,591,929
Ward committee activities	4,289,940	3,801,348
Workman's Compensation Insurance	1,180,054	1,322,795
Other general expenses	10,243,536	8,044,489
	237,404,175	253,635,209

The comparative figures for General Expenses have been restated to correct an error contained in the prior year Annual Financial Statements. Refer to Note 46 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of cost incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

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Figures in Rand	2013	2012
32. Employee related costs		
Employee related costs - Salaries and wages	236,536,963	224,238,538
Employee related costs - Contribution for UIF and Medical Aids	30,716,950	28,400,504
Employee related costs - Contribution for pensions	36,431,243	34,853,376
Travel. Motor car, Accommodation, Subsistence & Other allowances	69,909,140	64,165,799
Housing benefits and allowances	1,927,862	1,904,159
Overtime payments	18,531,615	14,638,132
Long-service awards	8,411,324	7,657,453
Defined Benefit Plan: Actuarial (gains)/losses recognised	8,571,270	8,556,641
Defined Benefit Plan: Current Service Cost	11,584,079	10,701,474
Defined Benefit Plan: Interest Cost	13,791,754	12,698,590
	436,412,200	407,814,666
Remuneration of Municipal Manager		
Annual Remuneration	1,446,590	1,443,190
Car Allowance	193,264	150,000
Contributions to UIF, Medical and Pension Funds	272,272	272,926
	1,912,126	1,866,116
Remuneration of the Chief Financial Officer		
Annual Remuneration	769,912	861,573
Car Allowance	245,820	242,257
Contributions to UIF, Medical and Pension Funds	139,758	128,957
	1,155,490	1,232,787
Remuneration of the Director: Corporate Services (Acting)		
Annual Remuneration	488,360	319,707
Car Allowance	-	102,425
Contributions to UIF, Medical and Pension Funds	-	46,571
	488,360	468,703
Remuneration of the Director: Community Services		
Annual Remuneration	681,008	497,510
Car Allowance	243,645	203,038
Contributions to UIF, Medical and Pension Funds	106,262	82,746
	1,030,915	783,294
Remuneration of the Director: Technical Services		
Annual Remuneration	626,248	584,006
Car Allowance	243,645	240,082
Contributions to UIF, Medical and Pension Funds	116,888	115,761
	986,781	939,849
Remuneration of the Director: Strategy, Economic Development and Planning		
Annual Remuneration	564,371	361,966
Car Allowance	223,342	102,805
Contributions to UIF, Medical and Pension Funds	117,344	41,560

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32. Employee related costs (continued)

905,057	506,331
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The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

Staff Leave Benefits: -

Municipal Manager	88,840	194,785
Chief Financial Officer	-	53,446
Director: Strategy, Economic Development and Planning	22,339	-
Director: Community	-	20,872
Director: Technical Services	47,917	92,476
	159,096	361,579

33. Remuneration of councillors

Executive Mayor	708,845	632,209
Speaker	565,553	460,967
Councillors	10,018,389	9,771,344
Contribution to UIF, Medical and Pension Funds and other allowances	5,950,020	5,550,494
	17,242,807	16,415,014

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Speaker and Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties.

34. Investment revenue

Investment revenue

Interest received - debtors	32,108,158	30,423,956
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Interest revenue

Interest received - investments	15,173,351	8,564,973
	32,108,158	30,423,956
	15,173,351	8,564,973
	47,281,509	38,988,929

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

- Available for sale financial assets	R15 173 351: (2011: R8 564 973)
- Loans and Receivables	R32 108 158: (2011: R30 385 801)

35. Depreciation and amortisation

Property, plant and equipment	40,018,799	36,493,003
Intangible assets	2,415,364	2,540,032
Investment property	105,469	105,758
	42,539,632	39,138,793

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Figures in Rand	2013	2012
36. Impairment losses		
Impairments		
Consumer debtors	110,818,711	103,687,992
	110,818,711	103,687,992
	-	-
37. Finance costs		
Loans and Payables at amortised cost	24,077,991	15,856,487
Finance leases	615,761	1,231,189
	24,693,752	17,087,676
38. Auditors' remuneration		
Fees	3,293,316	4,047,921
39. Rental of facilities and equipment		
Premises		
Premises	7,522,643	7,162,711
Venue hire	2,897,856	2,692,225
	10,420,499	9,854,936
Garages and parking		
Garage and parking	29,625	33,435
Facilities and equipment		
Rental of equipment	3,803,162	2,527,691
Premises	10,420,499	9,854,936
Garages and parking	29,625	33,435
Facilities and equipment	3,803,162	2,527,691
	14,253,286	12,416,062
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
40. Bulk purchases		
Electricity	302,802,043	269,730,672
Water	44,413,730	20,291,430
	347,215,773	290,022,102

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Escom whilst Water is purchased from Department Water Affairs and Forestry.

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Figures in Rand	2013	2012
41. Cash generated from operations		
Surplus	264,245,418	157,800,933
Adjustments for:		
Depreciation and amortisation	42,539,632	39,138,793
Contribution to impairment	122,000,000	106,663,513
Bad debts recovered	(9,214,739)	(56,387,926)
Bad debts written off	3,309,933	3,309,934
Movements in operating lease assets and accruals	-	-
Movements in retirement benefit assets and liabilities	27,386,419	22,945,160
Movements in provisions	5,681,614	5,890,997
Other non-cash items - Transfers of Assets	2,620,155	-
Changes in working capital:		
Inventories	1,976,452	(2,315,123)
Trade receivables from non-exchange transactions	(153,716,724)	(108,278,591)
Trade receivables from exchange transactions	(57,794,477)	(28,954,786)
Non Current Held for Sale	(826,422)	-
Payables from exchange transactions	16,726,094	6,432,619
VAT	(4,040,707)	1,950,909
Unspent conditional grants and receipts	27,885,848	(2,018,544)
Consumer deposits	1,219,181	2,241,016
Vat payable	4,025,824	1,532,795
Movement in operating lease and accruals	6,904	(7,675)
Adjusting non cash flow items prior year errors	10,866,147	11,544,451
	304,896,552	161,488,475
42. Commitments		
Capital commitments		
Approved and Contracted for:		
• Infrastructure	37,421,126	50,065,058
Approved but Not Yet Contracted for:		
• Infrastructure	410,044,000	386,272,599
• Community	37,322,000	20,800,000
• Other	39,000,000	35,278,000
	486,366,000	442,350,599
This expenditure will be financed from:		
• External Loans	54,100,000	124,900,000
• Government Grants	334,426,348	279,089,153
• District Council Grants	1,763,840	-
• Other transfers and grants	-	33,976,437
• Own resources	133,496,937	54,450,067
	523,787,125	492,415,657

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43. Contingencies

Guarantees:

- (i) The municipality pledged R13,944 (2012: R13,800) as guarantee for employees' housing bonds.
- (i) High court matters: Various claims and litigation is in process amounting to R67 844 391 (2012: R55,987,488).
- (ii) Litigation and claims: Various claims and litigation is in process amounting to R656 337 (2012: R176,669).
- (iii) Labour matters: A case of unfair promotion is referred to the Labour Court amounting R300 000 (2012: R63,580,000).
- (iv) Magistrate court matters: Various cases involving Council amounting to R76 722 (2012: R178,380).

Other liabilities:

- (i) Various cases: SALGA relating to issues regarding Task's implementation date and possible back pay.
- (ii) Upgrade cases: Various claims between employees and Council is in process.

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

44. Decommissioning, restoration and environmental rehabilitation funds

The municipality is a contributor to the following fund(s): Fund 1 and Fund 2.

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45. Related parties

45.1 Services rendered to related parties.

For the year ended June 2013	Rates Charges	Service Charges	Sundry Charges	Outstanding Balances	Column heading
Councillors	120,403	501,177	-	33,397	-
Municipal Manager and Section 57 Personnel	81,055	161,438	-	1,061	-
	201,458	662,615	-	34,458	-

For the year ended June 2012	Rates Charges	Services Charges	Sundry Charges	Outstanding Balances
Councillors	11,660	539,459	-	153,884
Municipal Manager and Section 57 Personnel	74,269	141,730	-	35,023
	85,929	681,189	-	188,907

Total Services:

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respects of the amounts owed by related parties.

45.2 Loans granted to Related Parties:

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 8 to the Annual Financial Statements.

45.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28 and 29 respectively, to the Annual Financial Statements.

45.4 Purchases from Related Parties

The purchase transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
NB Mechanical sales	S Barnes		Nursing Sister	2,736,360	-
Naledi Chemicals	De Haas		Prov.	1,220	-
			Education		
S & R Enterprises	S Barnes		Nursing Sister	2,133,490	-
Irrigation Equipment	B Julius		Demand	989,556	-
			Manager		
Land Irrigation Suppliers	B Julius		Demand	481,515	-
			Manager		
Qongo TG Trading	Mother		Nursing Sister	525,376	-
Linri Enterprises CC	MM Leven		Councillor	344,201	-

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45. Related parties (continued)

7,211,718	-
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46. Prior period errors

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June 2013.

Details of the appropriations are as follows:

Unappropriated Surplus Account Corrections as at 30 June 2011:

Correction of Debtors	602,244
Correction of Creditors	15,885,319
Correction to Expenditure	(3,191,002)
Correction to Depreciation	1,327,993
Corrections to Income	(3,690,080)
Corrections to Property, Plant and Equipment	20,449,425
Corrections to Investment Property	62,720,225
Corrections to Intangible Assets	7,866
Correction to Heritage Assets	6,801,944
Change in accounting policy	(2,339,446)

Increase/(Decrease) In Unappropriated Surplus Account	98,544,488
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Increase/(Decrease) In Unappropriated Surplus Account	98,544,488
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46.1 Restatement of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

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46. Prior period errors (continued)

46.2 Restatement of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of the Expenditure of the municipality.

		The effect of the Correction of Error is as follows:				
		2012 Expenditure	2012 Correction	Column heading	Column heading	Restated Amount
<input checked="" type="checkbox"/>	Employee Related Costs	402,354,443	5,460,223	-	-	407,814,666
<input checked="" type="checkbox"/>	Depreciation and Amortisation	42,196,063	(3,057,270)	-	-	39,138,793
<input checked="" type="checkbox"/>	Loss on Disposal of Property, Plant and Equipment	-	1,967,970	-	-	1,967,970
<input checked="" type="checkbox"/>	Repairs and Maintenance	65,322,981	3,098,714	-	-	68,421,695
<input checked="" type="checkbox"/>	Finance Costs	17,095,166	(7,498)	-	-	17,087,668
<input type="checkbox"/>		-	-	-	-	-
<input type="checkbox"/>		-	-	-	-	-
5		526,968,653	7,462,139	-	-	534,430,792

46.3 Restatement of Statement of Financial Position

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	Fin Position 2012	Correction 2012	Restated Amount
Accumulated Surplus	1,025,861,279	98,740,034	1,124,601,313
Creditors	127,678,510	(5,996,168)	121,682,342
Property, Plant and Equipment	923,114,875	19,768,004	942,882,879
Intangible Assets	4,914,331	7,866	4,922,197
Investment Property	121,039,839	62,720,255	183,760,094
Heritage assets	-	6,801,944	6,801,944
Vat Receivable from Exchange Transactions	7,823,247	38,155	7,861,402
Trade Receivables from Non-Exchange Transactions	149,512,411	3,407,671	152,920,082
	2,359,944,492	185,487,761	2,545,432,253

46.4 Restatement of Current Liabilities

The prior year balances of items of Current Liabilities have been restated to correctly classify the nature of the balances.

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46. Prior period errors (continued)

The opening balances of Creditors and Accumulated Surplus have been restated to remove a balance on the NWRI account that was erroneously included as an amount owed to the Department of Water Affairs to 2009/2010 as well as for a credit on the NWRI account that was erroneously included as an amount owed to the Department of Water Affairs pre-2011/2012. The opening balances of Creditors have been restated with expenses incurred on GURP Projects 2011/12. It was expected that these funding would have been received from COGHSTA, which did not happen in terms of the Northern Cape Appropriation Bill 2012.

The opening balances of Creditors and Other Income have been restated for unallocated sundry creditors for 2008/2009, unknown deposits, and the stale cheques relating to the 2011/12 period that have not been cashed and have been refunded to the Municipality. These amounts were recognised as revenue.

The prior year balances of Creditors and finance costs have been restated to correctly disclose an interest charge applicable to a lease liability which were previously calculated incorrectly. Finance costs were corrected accordingly.

The opening balances of Creditors have been restated to correctly disclose an unprovided retention money for the Galeshewe Street & Taxi Route Project. The balances have been amended in Property, Plant and Equipment.

The opening balances and prior year balances of Creditors and Employee related costs have been restated to correctly disclose the impact on wage rates due to the categorisation of Sol Plaatje Municipality to a grade 6 municipality, with its appropriate job evaluation wage curves, which became effective on 21 April 2010.

The effect of the Correction of Error is as follows:	Creditors	Current liabilities	Column heading	Column heading	Total
Balance as per AFS previously published for 2011/2012	127,678,510	196,705,538	-	-	324,384,048
Restatement of Current Liabilities	(5,996,168)	(5,996,168)	-	-	(11,992,336)
Balances as per current AFS published for 2011/2012	121,682,342	190,709,370	-	-	312,391,712

46.5 Restatement of Non-Current Assets

The prior year balances of items of Non-Current Assets have been restated to correctly classify the nature of the balances. Refer to the Change in Accounting policy for the restatement of heritage assets.

The opening balances and prior year balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose a depreciation charge applicable to leased assets and vehicles which were previously calculated incorrectly. The prior year balances and opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose a finance lease asset duplicated in assets.

The prior year balances and opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correct accumulated depreciation and depreciation which were incorrectly calculated.

The prior year balances and opening balances of Property, Plant & Equipment and Accumulated Surplus and Expenses have been restated to correctly repairs and maintenance incorrectly capitalised. This include the reversal of depreciation and accumulated depreciation.

The opening balances and prior year balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the adjustment of depreciation due to alignment of the expected useful life of infrastructure assets in accordance to National Treasury Standard and DPLG standard (Electricity, Roads, Sewerage, Street Lights, Storm Water and Water). This include the correction of depreciation and accumulated depreciation.

The opening balances and prior year balances of Property, Plant & Equipment have been restated to correctly disclose work-in-progress that incorrectly capitalised. No depreciation and accumulated depreciation charges were applicable as the work-in-progress was not yet commissioned prior to the correction.

The prior year balances of Intangible Assets have been restated to correctly disclose a depreciation charge for 2011/2012.

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46. Prior period errors (continued)

The opening balances and prior year balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose heritage assets. For further detail refer to change on accounting policy as to the recognition of the heritage assets. This included corrections to accumulated depreciation.

The prior year balances and opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to recognise an asset that was incorrectly not previously recognised. This include the depreciation and accumulated depreciation adjustment to reflect this recognition retrospectively.

The prior year balances and opening balances of Property, Plant & Equipment, Investment Property and Accumulated Surplus have been restated to recognise an investment property that was incorrectly included. This include the reversal of depreciation and accumulated depreciation.

The prior year balances of Property, Plant & Equipment, Accumulated Surplus and Expenditure have been restated to derecognise an asset in 2011/2012 and recognise the appropriate loss on disposal.

The opening balances of Creditors have been restated to correctly disclose an unprovided retention money for the Galeshewe Street & Taxi Route Project. The balances have been amended in Property, Plant and Equipment.

The effect of the Correction of Error is as follows:

	Heritage Asset	Investment Property (IP)	Property, Plant and Equipment	Intangible Assets (IA)
Balances as per AFS previously published for 2011/2012	-	121,039,839	923,114,875	4,914,331
Restatement of non-current assets	-	62,720,225	23,853,901	7,866
Change in accounting policy - Heritage assets	6,801,944	-	(4,085,897)	-
Balances as per current AFS published for 2011/2012	6,801,944	183,760,064	942,882,879	4,922,197

45.6 Restatement of Depreciation

The details of the correction of errors relating to depreciation can be found above in the 'Restatement of Current Assets' for the nature of these errors. Refer to the Change in Accounting policy for the restatement of heritage assets.

The effect of the Correction of Error is as follows:

	Depreciation on IP	Depreciation on PPE	Depreciation on IA
Balances as per AFS previously published for 2011/2012	4,999,629	381,116,870	1,664,400
Restatement of Depreciation	(2,459,606)	(5,849,553)	(1,136,477)
Change in accounting policy - Heritage assets	-	(2,716,047)	-
Balances as per current AFS published for 2011/2012	2,540,023	372,551,270	527,923

45.7 Adjustment of Revenue

The details of the correction of errors relating to depreciation can be found in the "Restatement of Current Assets" for the nature of these errors. Refer to the Change in Accounting Policy for the restatement of heritage assets..

The opening balances of Government Grants and Subsidies Received have been restated to correctly disclose the Kamfersdam Water project Loan that was transferred from own funding to Transnet, with the appropriate recognition as revenue.

The opening balances of Government Grants and Subsidies Received have also been restated for the Expanded Public Works Programme Integrated Incentive Grant not received. These incentive grant allocations have been moved derecognised as revenue and moved to own funding. The opening balances of Creditors and Government Grants and Subsidies Received have been restated with expenses incurred on GURP Projects 2011/12. It was expected that these funding would have been received from COGHSTA, which did not happen in terms of the Northern Cape Appropriation Bill 2012.

The opening balances of Creditors and Government Grants and Subsidies Received have been restated to remove a balance on the NWRI account that was erroneously included as an amount owed to the Department of Water Affairs to 2009/2010 as well as for a credit on the NWRI account that was erroneously included as an amount owed to the Department of Water Affairs pre-2011/2012.

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46. Prior period errors (continued)

The prior year balances of Interest Earned and Accumulated Surplus have been restated for interest on a VAT refund applicable for the 2011/2012 year.

The opening balances of Creditors and Other Income have been restated for unallocated sundry creditors for 2008/2009, unknown deposits, and the stale cheques relating to the 2011/12 period that have not been cashed and have been refunded to the Municipality. These amounts were recognised as revenue.

The effect of the Correction of Error is as follows:

	Government Grants and Subsidies Received	Other Income	Interest Earned - Outstanding Debtors
Revenue as per AFS previously published for 2011/2012	252,559,853	25,151,605	30,385,801
Adjustment of prior period revenue	5,108,764	171,320	-
Revenue as per AFS currently disclosed for 2011/2012	257,668,617	25,322,925	30,385,801

45.8 Adjustment of Expenses

The details of the correction of errors relating to adjustment to Expenses can be found below.

The opening balances and prior year balances of Creditors have been restated to correctly disclose the impact on wage rates due to the categorisation of Sol Plaatje Municipality to a grade 6 municipality, with its appropriate job evaluation wage curves, which became effective on 21 April 2010.

The opening balances and prior year balances of Property, Plant & Equipment have been restated to correctly disclose work-in-progress that incorrectly capitalised. No depreciation and accumulated depreciation charges were applicable as the work-in-progress was not yet commissioned prior to the correction.

The prior year balances of Property, Plant & Equipment, Accumulated Surplus and Expenditure have been restated to derecognise an asset in 2011/2012 and recognise the appropriate loss on disposal.

The prior year balances and opening balances of Property, Plant & Equipment and Accumulated Surplus and Expenses have been restated to correctly repairs and maintenance incorrectly capitalised. This include the reversal of depreciation and accumulated depreciation.

The prior year balances of Creditors have been restated to correctly disclose an interest charge applicable to a lease liability which were previously calculated incorrectly. Finance costs were corrected accordingly.

The effect of the Correction of Error is as follows:	Finance Cost	Employee Related Costs	Depreciation and Amortisation	Loss on Disposal of PPE	Repairs and maintenance	Total
Expenses as per AFS previously published for 2011/2012	17,095,166	402,354,443	42,196,063	-	65,322,981	526,968,653
Adjustment of prior period expenses	(7,498)	5,460,223	(3,057,270)	(1,967,970)	3,098,713	3,526,198
Expenses as per AFS currently disclosed for 2011/2012	17,087,668	407,814,666	39,138,793	(1,967,970)	68,421,694	530,494,851

45.9 Restatement of Debtors

The opening balances of Debtors and Accumulated Surplus have been restated due to a provision included related to Internal Accounts for sanitation, Refuse removal, electricity consumption and water.

The opening balances of Debtors have been restated to correctly disclose the Kamfersdam Water project Loan that was transferred from own funding to Transnet, with the appropriate recognition as revenue.

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46. Prior period errors (continued)

The effect of the Correction of Error is as follows:

	Trade receivables from Non-Exchange transactions	VAT receivables from Exchange Transaction	Total
Expenses as per AFS previously published for 2011/2012	149,512,411	7,823,247	157,335,658
Adjustment for prior period error	3,407,671	38,155	3,445,826
Expenses as per AFS currently disclosed for 2011/2012	152,920,082	7,861,402	160,781,484

45.10 Restatement of Assets

Included in the prior year's restated balance for Current Assets are restated balances for Trade Receivables from Non-Exchange Transactions, VAT receivable from Exchange Transactions, Property, Plant and Equipment, Intangible Assets, Investment Property and Heritage Assets. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets	Non-Current Assets	Total Assets
Expenses as per AFS previously published for 2011/2012	524,614,061	1,050,820,716	1,575,434,777
Adjustment for prior period error	3,445,819	89,298,045	92,743,864
Expenses as per AFS currently disclosed for 2011/2012	528,059,880	1,140,118,761	1,668,178,641

47. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 42).

48. Events after the reporting date

An non adjusting incident occurred where a transformer exploded that could influence the operations of the municipality in future. The preliminary cost of the damages are estimated at between R20 to R30 million. An insurance claim has been processed.

49. Unauthorised expenditure

To management's best knowledge no Unauthorised Expenditure was incurred during the year under review.

Reconciliation of Unauthorised Expenditure:

Opening balance	1,855,979	1,778,280
Unauthorised Expenditure current year	358,340	1,592,925
Approved by Council or Condoned	(2,214,319)	(1,515,226)
Unauthorised Expenditure awaiting authorisation	-	1,855,979

Budget overspending 2013: R0 (2012:R5,163,757) - Over-expenditure of maintenance and depreciation due to non-allocation of costs to various maintenance votes and correction of error in the asset register.

Budget overspending 2013: R0 (2012 - R1,855, 979) - The budget was over spent due to the Implementation of FULL time MAYCO and provision for health.

50. Fruitless and wasteful expenditure

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

Reconciliation of Fruitless and Wasteful Expenditure:

Opening balance	582,678	727,289
Fruitless and Wasteful Expenditure current year	555,625	582,678
Condoned or written off by Council	-	(727,289)
Fruitless and Wasteful Expenditure awaiting condonement	1,138,303	582,678

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50. Fruitless and wasteful expenditure (continued)		
Ex-gratia payments - 2013 R0 (2012 :R998,938) - Ex-gratia payments were made to officials who do not qualify for these payments.		
Penalty fees in respect of SARS late payment - 2013 R0 (2012:R139,364) .The cheque drawn was not accepted by SARS in terms of their policy, an EFT had to be arranged and therefore payment was late. Written of as per resolution		
51. Irregular expenditure		
To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.		
Reconciliation of Irregular Expenditure		
Opening balance	6,785,672	40,480,889
Irregular Expenditure current year	11,156,544	28,842,658
Irregular Expenditure awaiting condonement	(10,040,108)	(62,537,875)
	7,902,108	6,785,672
Overpayment of councillors- R542,299- Councillors were not remunerated in accordance with the upper limits as determined by the gazette issued in terms of the Remuneration of Public Office Bearers Act.		
Supply Chain management procedures not adhered to- R8,974,137- Various non-compliance with the supply chain management regulations occurred, such as tax clearance certificates not being obtained, three quotations not being obtained, inaccuracies in the application of the point system, proper tender process not being implemented		
52. In-kind donations and assistance		
The municipality received the following in-kind donations and assistance during the year under review:		
(i) A secondment of a finance expert and an engineer by the DBSA.		
53. Comparison with the budget		
The comparison of the municipality's actual financial performance with that budgeted, is set out in Appendices C, D, E (1), E (2) and E (3).		
54. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Current year audit fee	3,293,316	4,047,921
Amount paid - current year	(3,293,316)	(4,047,921)
	-	-
PAYE and UIF		
Current year payroll deductions	47,107,148	46,796,112
Amount paid - current year	(47,107,148)	(46,796,112)
	-	-
Pension and Medical Aid Deductions		
Current year payroll deductions and council contributions	99,171,497	93,048,039
Amount paid - current year	(99,171,497)	(93,048,039)
	-	-
VAT		

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54. Leases (Effects of transitional provisions) (continued)

VAT receivable	11,902,109	7,861,402
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VAT input receivables and VAT output receivables are shown in Note ##. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 2013

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
RS Bauer	-	311	311
PAS Strauss	-	487	487
LE Kruger	-	4,676	4,676
PJ Vorster	-	382	382
J Pietersen	-	345	345
MS Rosen	-	893	893
H Wyngaard	42	19	61
E Johnson	226	7	233
UW Kapika	2,047	226	2,273
MS Mathe	62	72	134
GP Hale	-	1,081	1,081
GD Morudi	-	485	485
NP Mthukwana	-	302	302
M Manyungwana	-	7	7
A Ntlhangula	374	1,529	1,903
MP Thabane	719	238	957
MV Diraditisile	-	34	34
GN Modise	-	1,855	1,855
RT Morwe	3,084	1,174	4,258
KM & TH Tong	-	434	434
R Liebenberg	4,660	4,224	8,884
RT Morris	-	807	807
OJ Selao	1,405	560	1,965
	12,619	20,148	32,767

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Total S57 Arrear Consumer Accounts	-	-	-

Deviations from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to the Council. Refer to appendix G.

Non-Compliance with Chapter 11 of the Municipality of the Municipal Finance Management Act

No matters existed at reporting date.

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55. Bulk Electricity and Water Losses in terms of the MFMA Section 125(2)(d)(i)		
Electricity		
In terms of section 125(2)(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 16.58% (2012:13.22%) and is disclosed to the amount of:	50,192,676	35,669,358
Water		
In terms of section 125(2)(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 44.03% (2012:13.22%) and is disclosed to the amount of:	19,370,300	2,892,898
	69,562,976	38,562,256

56. Multi-Employer Retirement Benefit Information

All participating councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Cape Retirement Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons: -

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. Contributions amounting to R34,853,376, (2011: R32,157,708) have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

None of the below mentioned Funds are State Plans.

MUNICIPAL COUNCILLORS PENSION FUND:

The actuarial valuator of the Pension Fund for councillors stated that it is in a sound financial position as at 30 June 2011.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

CAPE JOINT PENSION FUND:

The scheme is subject to a annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the financial condition of the fund improved with a funding level of 99.4% (30 June 2011: 98.1%). The recommended contribution rate to be paid by the members of 9% and 26.62% by municipalities is required to meet the future service costs. The current contribution of 23.06% from local authorities translate into a shortfall of about R6.1 million per year.

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56. Multi-Employer Retirement Benefit Information (continued)

CAPE JOINT RETIREMENT FUND:

The scheme is subject to a annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the fund has a funding level of 99.9% for the Share Account and 108% for the Pension Account (30 June 2011: 100.3% for the Share Account and the Pension Account). The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits from the fund in the future.

SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND:

At the valuation date of 1 July 2010 the SALA pension fund was 96% (1 July 2009: 96%) funded. The valuator indicated that although the fund was less than 100% funded at the valuation date, no additional action was required at that stage to rectify the situation. The valuator recommended that the employers continue to contribute at the current rate.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND:

The SAMWUN Provident Fund operates as a defined contribution fund. At the last valuation date of 30 June 2008 the Fund was 100% funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

MUNICIPAL EMPLOYEES PENSION FUND:

At the valuation date of 29 February 2009 the Municipal Employees Pension Fund was 102.2% (28 February 2005: 108.2%) funded. The valutor stated that the fund was in a sound position as at 28 February 2008, having sufficient assets to cover its obligations.

NATIONAL FUND FOR MUNICIPAL WORKERS:

At the valuation date of 1 July 2008 the National FUnd for Municipal Workers was 99.83% (1 July 2007: 100.26%) funded. The valuator stated that he was satisfied that the fund will continue to be able to meet its liabilities.

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57. Financial Instruments

57.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

FINANCIAL ASSETS	CLASSIFICATION		
Trade receivables from exchange transactions			
Electricity	Amortised cost	28,169,377	33,808,815
Refuse	Amortised cost	15,212,913	9,379,631
Sewerage	Amortised cost	20,296,340	10,889,997
Water	Amortised cost	76,581,585	35,905,370
Miscellaneous	Amortised cost	66,900,063	79,860,551
Market	Amortised cost	145,987	270,273
Housing Debtors	Amortised cost	5,794,186	5,364,281
Trade receivables from non-exchange transactions			
Assessment Rates	Amortised cost	150,530,780	90,864,243
Government Subsidy Claims	Amortised cost	54,016,524	56,768,159
Miscellaneous Debtors	Amortised cost	6,167,254	5,287,681
Bank, Cash and Cash Equivalents			
Call Deposits	Fair value	336,544,939	171,915,120
Cash Floats	Fair value	15,470	15,470
Operating Lease Assets			
Operating Lease Assets / Receivables	Fair value	-	98,017
VAT receivable			
VAT receivable	Fair value	11,902,109	7,861,402
		<u>772,277,527</u>	<u>508,289,010</u>

SUMMARY OF FINANCIAL ASSETS

Amortised cost:

Trade receivables from exchange transactions	Assessment Rates	150,530,780	90,864,243
Trade receivables from exchange transactions	Electricity	28,169,377	33,808,815
Trade receivables from exchange transactions	Refuse	15,212,913	9,379,631
Trade receivables from exchange transactions	Sewerage	20,296,340	10,889,997
Trade receivables from exchange transactions	Water	76,581,585	35,905,370
Trade receivables from exchange transactions	Miscellaneous	66,900,063	79,860,551
Trade receivables from exchange transactions	Market	145,987	270,273
Trade receivables from exchange transactions	Housing Debtors	5,794,186	5,364,281
Trade receivables from non-exchange transactions	Government Subsidy Claims	54,016,524	56,768,159
Trade receivables from non-exchange transactions	Miscellaneous Debtors	6,167,254	5,287,681
Operating Lease Assets	Operating Lease Assets / Receivables	-	98,017
		11,902,109	7,861,402

Fair value:

Bank Balances and Cash	Cash Floats and Advances	15,470	15,470
VAT Receivable	VAT Receivable	11,902,109	7,861,402
Short-term Investments Deposits	Call Deposits	336,544,939	171,915,120
		<u>348,462,518</u>	<u>179,791,992</u>

Total Financial Assets		<u>560,370,023</u>	<u>344,040,501</u>
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FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Amortised Cost	195,336,920	156,471,808
Finance Lease Obligations			
Finance Lease Obligations	Amortised cost	-	89,918
Consumer Deposits			
Electricity and Water	Amortised Cost	15,317,566	14,098,382
Payables from exchange transactions			
Trade Creditors	Amortised Cost	93,158,754	80,673,473
Other Creditors	Amortised Cost	53,127	53,127
Payment Received in Advance	Amortised Cost	14,122,811	13,269,311
Staff Bonuses	Amortised Cost	7,697,949	7,375,533
Accrued Leave	Amortised Cost	23,375,794	20,310,898
Unspent Conditional Grants and Receipts			
Conditional Grants from Government	Amortised Cost	35,105,848	7,220,000
Bank Overdraft			
Bank Overdraft	Fair value	12,595,368	11,645,158
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised Cost	11,356,434	9,471,766
Finance Lease Obligations			
Finance Lease Obligations	Amortised Cost	8,898,313	8,878,132
		<u>391,828,148</u>	<u>306,267,190</u>
SUMMARY OF FINANCIAL LIABILITIES			
Amortised Cost:			
Finance lease obligation	Finance lease obligation	8,898,313	8,878,132
Current portion of long-term liabilities	Annuity loans	11,356,434	9,471,766
Long-term Liabilities	Annuity Loans	195,336,920	156,471,808
Consumer Deposits	Electricity and Water	15,317,566	14,098,382
Payables from exchange transactions	Trade Creditors	93,158,754	80,673,473
Payables from exchange transactions	Other Creditors	53,127	53,127
Unspent Conditional Grants and Receipts	Conditional Grants from Government	35,105,848	7,220,000
Payables from exchange transactions	Payments received in Advance	14,122,811	13,269,311
Payables from exchange transactions	Staff Bonuses	7,697,949	7,375,533
Payables from exchange transactions	Accrued Leave	23,375,794	20,310,898
		<u>404,423,516</u>	<u>317,822,430</u>
Fair value:			
Bank overdraft	Bank overdraft	12,595,368	11,645,158
Total Financial Liabilities		<u>387,998,459</u>	<u>302,824,902</u>

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57.2 Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value:

Cash and Short-term Investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term Investments

The fair values of some investments are estimated, based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables/payables

Interest bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and, therefore, the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed-interest-rate instruments are fair-valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Loan receivables/payables

The fair value of trade and other payables is estimated at the present value of future cash flows, except for retentions, which are payables discounted at the market rate of interest at the reporting date.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair values of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013		30 June 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R
FINANCIAL ASSETS				
Call Deposits	336,544,939	336,544,939	171,915,120	171,915,120
VAT receivable	11,902,109	11,902,109	7,861,402	7,861,402
Bank Balances and Cash	15,470	15,470	15,470	15,470
Total Financial Assets	336,560,409	336,560,409	171,930,590	171,930,590
	30 June 2013		30 June 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	R	R	R	R

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FINANCIAL LIABILITIES				
Bank Overdraft	12,595,368	12,595,368	11,645,158	11,645,158
Total Financial Liabilities	<u>12,595,368</u>	<u>12,595,368</u>	<u>11,645,158</u>	<u>11,645,158</u>
Total Financial Instruments	<u>323,965,041</u>	<u>323,965,041</u>	<u>160,285,432</u>	<u>160,285,432</u>
Unrecognised Gain / (Loss)		-		-

The Financial Instruments of the municipality have been reclassified as disclosed in the Change in Accounting Policy Note.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and the levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted in active markets for an identical instruments).

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observation data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

	30 June 2013			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Call Deposits	-	-	336,544,939	336,544,939
VAT Receivable	-	-	11,902,109	11,902,109
Bank Balances and Cash	-	-	15,470	15,470
Total Financial Assets	<u>-</u>	<u>-</u>	<u>348,462,518</u>	<u>348,462,518</u>
	30 June 2013			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL LIABILITIES				
Bank Overdraft	-	-	12,595,368	12,595,368
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>12,595,368</u>	<u>12,595,368</u>
Total Financial Instruments	<u>-</u>	<u>-</u>	<u>335,867,150</u>	<u>335,867,150</u>
	30 June 2012			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Call Deposits	-	-	171,915,120	171,915,120
VAT Receivable	-	-	7,861,402	7,861,402
Bank Balances and Cash	-	-	15,470	15,470
Total Financial Assets	<u>-</u>	<u>-</u>	<u>179,791,992</u>	<u>179,791,992</u>
	30 June 2012			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL LIABILITIES				
Bank Overdraft	-	-	11,645,158	11,645,158
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>(11,645,158)</u>	<u>(11,645,158)</u>
Total Financial Instruments	<u>-</u>	<u>-</u>	<u>191,437,150</u>	<u>191,437,150</u>

57.3 Capital Risk Management

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The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio		
Debt	12,595,368	11,645,158
Bank, Cash and Cash Equivalents	336,560,409	171,930,590
Net Debt	<u>349,155,777</u>	<u>183,575,748</u>
Equity	<u>1,388,846,726</u>	<u>540,574,058</u>
Net Debt to Equity Ratio	<u>25.14</u>	<u>33.96</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 4.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

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57.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these financial statements.

57.5 Significant Accounting Policies

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

Credit Risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

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Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 47.7 to the annual financial statements.

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57.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

57.6.1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables. The Entity is not exposed to interest rate risk on these financial instruments, as the rates applicable are fixed interest rates, except for one loan payable of R4,19 million. The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months are made.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Interest Rate Risk Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the Statement of Financial Position. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Effect of a change in interest rate on interest bearing financial assets and liabilities:

<u>Financial Assets</u>		<u>Classification</u>	
<i>External Investments:</i>			
Call Deposits	Financial Instrument at Fair value	336,544,939	171,915,120
Bank Balances	Financial Instrument at Fair value	15,470	15,470
		<u>336,560,409</u>	<u>171,930,590</u>
<i>Interest Received:</i>			
Interest Earned - External Investments		<u>15,173,351</u>	<u>8,564,973</u>
Interest Rate (%)		<u>4.51</u>	<u>4.98</u>
Effect of a change in interest rate on interest earned from external investments:			
Effect of change in interest rate	%	3.51	3.98
Effect of change in interest rate	Rand Value	<u>11,813,270</u>	<u>6,842,837</u>
Effect of change in interest rate	%	5.51	5.98
Effect of change in interest rate	Rand Value	<u>18,544,479</u>	<u>10,281,449</u>

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<u>Outstanding Debtors:</u>			
Staff Debtors	Amortised cost	-	-
Consumer Debtors	Amortised cost	213,100,451	175,478,918
Other Debtors	Amortised cost	210,714,558	152,920,083
Operating Lease Asset	Amortised cost	91,113	98,017
VAT receivable	Fair value	11,902,109	7,861,402
		<u>435,808,231</u>	<u>336,358,420</u>
<u>Interest Received:</u>			
Interest Earned - Outstanding Debtors		<u>32,108,158</u>	<u>30,423,956</u>
Interest Rate (%)		<u>7.37</u>	<u>9.05</u>
Effect of a change in interest rate on interest earned from outstanding debtors:			
Effect of change in interest rate	%	6.37	8.05
Effect of change in interest rate	Rand Value	<u>27,760,984</u>	<u>27,076,853</u>
Effect of change in interest rate	%	8.37	10.05
Effect of change in interest rate	Rand Value	<u>36,477,149</u>	<u>33,804,021</u>
<u>Financial Liabilities</u>			
<u>Long-term Liabilities:</u>			
Annuity Loans	Amortised cost	195,336,920	156,471,808
Operating Lease Liability	Amortised cost	-	89,918
		11,356,434	9,471,766
<u>Interest Paid:</u>			
Long-term Liabilities		<u>24,077,991</u>	<u>15,856,487</u>
Interest Rate (%)		<u>212.02</u>	<u>167.41</u>
Effect of a change in interest rate on interest paid on long-term liabilities:			
Effect of change in interest rate	%	211.02	166.41
Effect of change in interest rate	Rand Value	<u>23,964,347</u>	<u>15,761,966</u>
Effect of change in interest rate	%	213.02	168.41
Effect of change in interest rate	Rand Value	<u>24,191,476</u>	<u>15,951,401</u>
Bank Overdrafts and Creditors:			
Trade Creditors	Amortised cost	138,408,435	121,682,342
VAT payable from exchange transactions	Amortised cost	35,105,848	7,220,003
Annuity Loans	Amortised cost	11,356,434	9,471,766
Bank Overdraft	Fair value	12,595,368	11,645,158
Consumer Deposits	Amortised cost	15,317,566	14,098,382
		<u>201,427,217</u>	<u>154,645,885</u>
<u>Interest Paid:</u>			
Bank Overdrafts and Creditors		<u>25,074,772</u>	<u>14,697,358</u>
Interest Rate (%)		<u>12.45</u>	<u>9.50</u>
"Effect of a change in interest rate on interest paid on long-term liabilities:"			
Effect of change in interest rate	%	11.45	8.50
Effect of change in interest rate	Rand Value	<u>23,063,416</u>	<u>13,144,900</u>
Effect of change in interest rate	%	13.45	10.50
Effect of change in interest rate	Rand Value	<u>27,091,961</u>	<u>16,237,818</u>

57.6.2 Foreign Currency Risk Management

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The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

57.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments / Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the Entity does not consider there to be any significant exposure to credit risk.

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Trade and Other Receivables

Trade and other receivables are amounts owing by consumers, and are presented net of impairment losses. The Municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. Subsequently, the Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- through the requirement of a deposit for new service connections, serving as guarantee
- through encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location:	2013 R
1. Department of Public Works	117,025,224
2. Escom MM	10,816,417
3. Griekwaland West Rugby Union	3,811,023
4. Skincon Kalibrate (Pty) Ltd	2,592,703
5. Paleo Prop CC	2,302,077

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2013 R	2012 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Call Investment Deposits	51,207,808	16,707,808
Finance Lease Receivables	1,197,776	1,060,492

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Figures in Rand	2013	2012
Consumer Debtors	151,254,634	166,464,633
Other Debtors	119,746,393	71,150,445
Bank, Cash and Cash Equivalents	30,927	30,927
Operating Lease Assets	84,051	82,741
Housing Guarantees	230,600	354,120
Other	-	-
	323,752,189	255,851,166
	2013	2012
	%	%

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

Consumer Debtors:

Household	472,319,855	367,369,533
Industrial / Commercial	14,917,520	11,606,131
National and Provincial Government	7,227,573	4,172,528
Other Consumer Debtors	751,602	734,722

Other Debtors	149,512,411	122,096,526
	644,728,961	505,979,440

57.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 47 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. A credit line overdraft facility of R0 million is available and is unsecured. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective interest rate %	Total R	6 months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
30 June 2013							
Non-interest Bearing							
- Consumer Deposits	-	10,225,457	-	-	-	-	10,225,457
- Creditors	-	107,135,888	107,135,888	-	-	-	-
- Unspent Conditional Grants	-	3,436,299	-	3,436,299	-	-	-
Variable Interest Rate Instruments							
- Bank Overdraft	-	25,067,445	25,067,445	-	-	-	-
Fixed Interest Rate Instruments							
- Loan No 10112: DBSA	10.00	6,172,026	1,543,007	1,543,007	3,086,013	-	-
- Loan No 10113: DBSA	12.00	7,719,542	1,286,590	1,286,590	2,573,180	2,573,181	-
- Loan No 10616: DBSA	12.00	4,715,740	471,574	471,574	943,148	2,829,444	-
- Loan No 101452: DBSA	10.91	12,831,647	987,050	987,050	1,974,100	5,922,299	2,961,149
- Loan No 102855/1: DBSA	12.61	38,825,818	1,252,446	1,252,446	2,504,892	7,514,675	26,301,360
- Loan No 102855/2: DBSA	13.12	3,769,133	753,827	753,827	1,507,653	753,827	-
- Loan No 102855/3: DBSA	6.75	5,390,961	256,712	256,712	513,425	1,540,275	2,823,837

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		2013				2012	
- Loan No 102855/4: DBSA	6.75	2,611,998	522,400	522,400	1,044,800	522,399	-
- Loan No 103958/2: DBSA	11.25	281,350,589	7,815,294	7,815,294	15,630,589	46,891,767	103,197,644
- Finance Lease Liabilities	-	-	-	-	-	-	-
Total		<u>509,252,543</u>	<u>147,092,233</u>	<u>18,325,199</u>	<u>29,777,800</u>	<u>68,547,867</u>	<u>145,509,447</u>
Description	Average effective interest rate %	Total R	6 months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
30 June 2012							
Non-interest Bearing							
- Consumer Deposits	-	14,098,382	-	-	-	-	14,098,382
- Creditors	-	127,678,510	127,678,510	-	-	-	-
- Unspent Conditional Grants	-	7,220,000	-	7,220,000	-	-	-
Variable Interest Rate Instruments							
- Bank Overdraft	-	11,645,158	11,645,158	-	-	-	-
Fixed Interest Rate Instruments							
- Loan No 10112: DBSA	10.00	9,258,039	1,543,007	1,543,007	3,086,013	3,086,013	-
- Loan No 10113: DBSA	12.00	10,292,722	1,286,590	1,286,590	2,573,180	5,146,361	-
- Loan No 10616: DBSA	12.00	4,715,740	471,574	471,574	943,148	2,829,444	-
- Loan No 101452: DBSA	10.91	14,805,747	987,050	987,050	1,974,100	5,922,299	4,935,249
- Loan No 102855/1: DBSA	12.61	41,330,710	1,252,446	1,252,446	2,504,892	7,514,675	28,806,252
- Loan No 102855/2: DBSA	13.12	5,276,786	753,827	753,827	1,507,653	2,261,480	-
- Loan No 102855/3: DBSA	6.75	5,904,386	256,712	256,712	513,425	1,540,275	3,337,262
- Loan No 102855/4: DBSA	6.75	3,656,798	522,400	522,400	1,044,800	1,567,199	-
- Loan No 103958/2: DBSA	12.45	284,433,496	7,485,092	7,485,092	14,970,184	44,910,552	109,582,576
- Finance Lease Liabilities	-	9,610,604	-	9,074,999	-	535,605	-
Total		<u>549,927,078</u>	<u>153,882,366</u>	<u>30,853,697</u>	<u>29,117,395</u>	<u>75,313,903</u>	<u>160,759,721</u>

APPENDIX A
SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Loan Number	Redeemable Date	Balance at 30/06/12	Received during the period	Redeemed written off during the period	Balance at 30/06/13	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
LONG TERM LIABILITIES			R	R	R	R	R	R
ANNUITY LOANS							178,169,006	
DBSA Loan @ 10%	10112	30-06-2015	7,829,390		2,359,253	5,470,138		
DBSA Loan @ 12%	10113	30-06-2016	7,986,465		1,661,825	6,324,640		
DBSA Loan @ 12%	10616	30-06-2017	3,469,244		542,137	2,927,107		
DBSA Loan @ 10.91%	101452	31-12-2019	9,932,125		913,810	9,018,316		
DBSA Loan @ 12.61%	102855/1	31-12-2028	17,210,067		343,791	16,866,276		
DBSA Loan @ 13.12%	102855/2	31-12-2015	4,123,930		997,389	3,126,541		
DBSA Loan @ 6.75%	102855/3	31-12-2023	4,059,723		243,276	3,816,447		
DBSA Loan @ 6.75%	102855/4	31-12-2015	3,208,497		841,882	2,366,615		
DBSA Loan @ 12.445%	103958/2	30-06-2031	108,124,130	57,072,801	8,419,656	156,777,275		
Sub total DBSA			165,943,572	57,072,801	16,323,019	206,693,354		
Total Annuity loans			165,943,572	57,072,801	16,323,019	206,693,354	178,169,006	-
LEASE LIABILITY								
Various Finance Leases			8,968,050		69,737	8,898,312	83,314	
TOTAL EXTERNAL LOANS			174,911,622	57,072,801	16,392,756	215,591,667	178,252,321	-

APPENDIX B
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013

	Cost/Revaluation							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity	182,573,256	854,476	43,773,477	(653,117)	31,930,892		75,704,369	226,548,092	87,451,626	3,038,905	(419,616)	90,070,915	136,477,176
Roads	260,284,874		7,039,709				7,039,709	267,324,584	73,952,772	7,721,741		81,674,513	185,650,071
Sewerage	224,439,221	90,559	33,118,124		77,951,521		111,069,645	257,647,903	42,037,932	3,953,596		45,991,529	211,656,375
Street Lights	20,320,533		1,219,302		1,322,682	1,322,682	1,219,302	21,539,835	7,698,806	507,666		8,206,472	13,333,364
Storm Water	51,551,522		2,856,474				2,856,474	54,407,996	32,830,759	1,002,787		33,833,546	20,574,450
Landfill Site	25,188,242	4,330,291					-	29,518,533	4,428,716	1,596,887		6,025,602	23,492,931
Water	202,629,886	442,838	49,734,692		23,028,992		72,763,685	252,807,417	101,315,359	3,515,481		104,830,840	147,976,577
	966,987,534	5,718,164	137,741,778	(653,117)	134,234,088	1,322,682	270,653,184	1,109,794,360	349,715,969	21,337,063	(419,616)	370,633,417	739,160,943
Community Assets													
Community Buildings	233,861,918		2,178,319	(10,866,147)	7,423,788	7,076,051	2,526,057	225,174,090	21,509,438	5,557,899		27,067,337	198,106,753
Parks and Gardens	36,774,218		313,589		1,794,844		2,108,434	37,087,807	100,570	20,867		121,437	36,966,370
Recreational Facilities	43,986,256				2,011,236		2,011,236	43,986,256	3,960,464	989,438		4,949,902	39,036,353
	314,622,391	-	2,491,909	(10,866,147)	11,229,868	7,076,051	6,645,726	306,248,152	25,570,472	6,568,204	-	32,138,676	274,109,476
Heritage Assets													
Heritage Assets	6,801,944							6,801,944				0	6,801,944
	6,801,944	-	-	-	-	-	-	6,801,944	-	-	-	-	6,801,944.32
Leased Assets													
Various	8,850,021			(3,300,782)				5,549,239	8,176,520	583,248	(3,293,843)	5,465,924	83,314
	8,850,021	-	-	(3,300,782)	-	-	-	5,549,239	8,176,520	583,248	(3,293,843)	5,465,924	83,314
Other Assets													
Other Buildings	2,020,337	341,620		(246,481)				2,115,476	1,301,139	415,037	(244,557)	1,471,619	643,857
Emergency Equipment	46,572	17,682		(44,933)				19,321	19,113	4,722	(22,963)	872	18,449
Furniture & Fittings	22,382,658	2,357,281		(2,477,293)				22,262,646	9,603,349	3,391,068	(1,470,063)	11,524,353	10,738,293
Kitchen Equipment	1,072,337	101,630		(207,678)				966,289	395,317	111,839	(99,458)	407,699	558,590
Laundry Equipment	121,100			(14,361)				106,739	21,420	8,068	(4,840)	24,648	82,091
Medical Equipment	330,581	40,504		(104,950)				266,135	116,860	33,430	(34,137)	116,153	149,982
Maintenance Equipment	1,356,592	488,397		(752,918)				1,092,071	764,467	259,495	(493,339)	530,623	561,449
Motor Vehicles	44,358,316	29,715,351		(2,061,058)	1,056,446		1,056,446	72,012,609	28,281,865	5,152,147	(1,749,319)	31,684,693	40,327,916
Office Equipment	10,363,519	2,789,532.90		(4,023,561)				9,129,490	6,014,357	2,095,350	(3,465,865)	4,643,842	4,485,648
Plant and Equipment	553,396			(103,877)				449,519	201,626	59,128	(65,916)	194,838	254,681
	82,605,407	35,851,998	-	(10,037,109)	1,056,446	-	1,056,446	108,420,296	46,719,513	11,530,284	(7,650,458)	50,599,339	57,820,957
Total	1,379,867,297	41,570,162	140,233,687	(24,857,155)	146,520,402	8,398,733	278,355,356	1,536,813,991	430,182,474	40,018,800	(11,363,917)	458,837,356	1,077,976,635

APPENDIX C
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
AS AT 30 JUNE 2013

Directorate	Cost								Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	605,696							605,696	137,866	20,189		158,055	447,642
Municipal General	1,468,669							1,468,669	359,693	71,831		431,525	1,037,145
Municipal Manager	1,842,822							1,842,822	597,852	9,336		607,188	1,235,634
Corporate Services	31,522,301							31,522,301	9,839,837	1,445,809		11,285,646	20,236,655
Community Services	160,558,898							160,558,898	40,266,845	9,948,358		50,215,203	110,343,695
Financial Services	22,583,361	1,923,290		(13,337,891)				11,168,760	6,867,820	1,472,365	(3,293,843)	5,046,342	6,122,419
Strategic and Economic Development	40,399,647	2,178,319		(10,866,147)				31,711,820	12,045,868	619,848	(7,650,458)	5,015,258	26,696,562
Infrastructure and Services	1,120,885,902	37,468,553	140,233,687	(653,117)	146,520,403	9,455,179	277,298,911	1,297,935,025	360,066,692	26,431,064	(419,616)	386,078,140	911,856,885
TOTAL	1,379,867,296	41,570,162	140,233,687	(24,857,154)	146,520,403	9,455,179	277,298,911	1,536,813,991	430,182,473	40,018,800	(11,363,917)	458,837,356	1,077,976,635

APPENDIX D
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2013

	2013 Original Budget	2013 Adjustment	2013 Final Budget	2013 Variance Original vs Final Budget %	2013 Explanation of variances greater than 10% Original versus Final Budget	2013 Actual Income	2013 Variance Actual vs Final Budget R	2013 Variance Actual vs Final Budget %	2013 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R			R	R		
Income per directorate									
Executive and Council	—	—	—			120,036	120,036	0%	No Income budgeted.
Municipal General	346,359,640	23,539,000	369,898,640	7%	Increase on grant funding for capital and interest received.	321,236,324	(48,662,316)	-13%	Capital grant funded projects rolled over.
Municipal Manager	2,004,961	0	2,004,961	0%		1,215,335	(789,626)	-39%	Miscellaneous income not realising.
Corporate Services	4,759,563	0	4,759,563	0%		3,806,297	(953,266)	-20%	Miscellaneous and transaction income not realising.
Community Services	26,851,379	-1,291,000	25,560,379	-5%	Decrease in projected income from fines.	23,518,921	(2,041,458)	-8%	Various income categories not realising.
Financial Services	339,444,688	2,000,423	341,445,111	1%		346,424,033	4,978,922	1%	
Strategic and Economic Development	7,517,060	-1,250,000	6,267,060	-17%	Decrease in projected income from market.	7,169,071	902,011	14%	Increase in income from market.
Infrastructure and Services	807,876,291	38,138,964	846,015,255	5%	Increase in projected water income and housing project funding.	851,306,263	5,291,008	1%	
Total	1,534,813,582	61,137,387	1,595,950,969	4%		1,554,796,280	(41,154,689)	-3%	
Expenditure per directorate									
Executive and Council	34,843,811	980,001	35,823,812	3%		36,239,184	415,372	1%	
Municipal General	287,887,180	7,689,000	295,576,180	3%	Increase in roads maintenance and other.	221,932,241	(73,643,939)	-25%	General expenditure not realising.
Municipal Manager	14,666,471	49,997	14,716,468	0%		11,550,500	(3,165,968)	-22%	General expenditure not realising and vacancies.
Corporate Services	48,519,494	5,119	48,524,613	0%		42,918,909	(5,605,704)	-12%	General expenditure not realising and vacancies.
Community Services	135,272,494	1,308,999	136,581,493	1%		138,030,719	1,449,226	1%	
Financial Services	83,624,564	1,400,001	85,024,565	2%		77,744,380	(7,280,185)	-9%	Saving on vacancies not filled.
Strategic and Economic Development	30,328,040	1,494,874	31,822,914	5%	Increase on projects re property development.	28,539,341	(3,283,573)	-10%	Saving on expenditure.
Infrastructure and Services	736,705,355	39,839,396	776,544,751	5%	Increase on projects re housing, refuse , maintenance and sewer.	733,595,586	(42,949,165)	-6%	Housing project income and expenditure handled as a suspense account.
Total	1,371,847,409	52,767,387	1,424,614,796	4%		1,290,550,860	(134,063,936)	-9%	Due to the savings in general expenditure, finance costs and repairs and maintenance cost.
Surplus/(Deficit)	162,966,173	8,370,000	171,336,173	5%		264,245,420	92,909,247	54%	Due to the savings in expenditure .

APPENDIX E(1)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual	2013 Original Budget	2013 Adjustment	2013 Final Budget	2013 Variance Original vs Final Budget %	2013 Explanation of variances greater than 10% Original versus Final Budget	2013 Variance Actual vs Final Budget R	2013 Variance Actual vs Final Budget %	2013 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	%		R	%	
REVENUE									
Property Rates	331,348,092	331,241,111	-	331,241,111	0%		106,981	0%	
Service Charges	838,429,272	796,303,868	8,500,000	804,803,868	1%		33,625,404	4%	
Rental of Facilities and Equipment	14,253,286	14,474,340	-	14,474,340	0%		(221,054)	-2%	
Interest Earned - External Investments	15,173,351	6,000,000	3,000,000	9,000,000	20%	Due to increase in investments.	6,173,351	69%	Due to increase in investments.
Interest Earned - Outstanding Debtors	32,108,158	32,000,000	-	32,000,000	0%		108,158	0%	
Fines	4,652,071	7,333,800	(1,500,000)	5,833,800	-32%	Due to fines not realizing.	(1,181,729)	-20%	Due to fines not realizing.
Licenses and Permits	2,568,220	3,080,000	-	3,080,000	0%		(511,780)	-17%	Decrease in transactions.
Income for Agency Services	4,859,637	3,400,000	-	3,400,000	0%		1,459,637	43%	Due to increase in transactions.
Government Grants and Subsidies	276,823,192	313,256,000	19,498,000	332,754,000	7%	Increase in grants.	(55,930,808)	-17%	Due to capital projects being rolled over.
Other Income	34,581,000	27,724,463	31,639,387	59,363,850	91%	Due to adjusting housing project income.	(24,782,850)	-42%	Due to adjusting housing project income and expenditure
Total Revenue	1,554,796,280	1,534,813,582	61,137,387	1,595,950,969	4%		(41,154,689)	-3%	
EXPENDITURE									
Employee Related Costs	436,412,198	441,896,089	8,400,000	450,296,089	2%		(13,883,891)	-3%	
Remuneration of Councillors	17,242,806	17,400,680	-	17,400,680	0%		(157,874)	-1%	
Impairment Losses	110,818,711	122,000,000	-	122,000,000	0%		(11,181,289)	-9%	Due to impairment of debtors
Collection Costs	1,588,909	1,100,000	500,000	1,600,000	31%	Increase due to a need for additional funding.	(11,091)	-1%	
Depreciation	42,539,633	44,060,000	-	44,060,000	0%		(1,520,367)	-3%	
Repairs and Maintenance	68,982,050	61,619,711	14,800,000	76,419,711	21%	Projected expenditure and need for maintenance increased.	(7,437,661)	-10%	Due to savings after increase in adjustment budget.
Finance Costs	24,693,752	37,755,081	(1,000,000)	36,755,081	-4%		(12,061,329)	-33%	Due to savings (loan phased in over 3 years).
Bulk Purchases	347,215,773	349,000,000	-	349,000,000	0%		(1,784,227)	-1%	
Grants and Subsidies Paid	2,622,586	3,650,000	-	3,650,000	0%		(1,027,414)	-28%	Due to savings.
General Expenses - Other	237,404,173	293,365,848	30,067,387	323,433,235	13%	Due to adjusting housing project expenditure.	(86,029,062)	-27%	Due to savings and adjusting housing project expenditure.
Total Expenditure	1,290,550,860	1,371,847,409	52,767,387	1,424,614,796	4%		(134,063,936)	-9%	Due to the savings in general expenditure, finance costs and repairs and maintenance cost.
NET SURPLUS FOR THE YEAR	264,245,420	162,966,173	8,370,000	171,336,173	3%		92,909,247	54%	Due to the savings in expenditure .

APPENDIX E(2)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013

Directorate	2013 Actual Additions	2013 Work in Progress Additions	2013 Total Additions	2013 Original Budget	2013 Adjustment	2013 Final Budget	2013 Variance Original vs Final Budget %	2013 Explanation of variances greater than 10% Original versus Final Budget	2013 Variance Actual vs Final Budget R	2013 Variance Actual vs Final Budget %	2013 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	R	R					
Executive and Council	-	-	-	-	-	-	0%		-	0%	
Municipal General	-	-	-	-	-	-	0%		-	0%	
Municipal Manager	-	-	-	-	-	-	0%		-	0%	
Corporate Services	-	-	-	-	-	-	0%		-	0%	
Community Services	-	-	-	16,400,000	(16,400,000)	-	-100%	Reclassification of budget	-	0%	
Financial Services	1,923,290	-	1,923,290	1,000,000	1,000,000	2,000,000	100%	New project added.	(76,710)	-4%	Saving on project.
Strategic and Economic Development	2,178,319	-	2,178,319	2,500,000	750,000	3,250,000	30%	New project added.	(1,071,681)	-33%	Non qualifying assets, expenditure transferred to operational budget.
Infrastructure and Services	37,468,553	140,233,687	177,702,240	265,110,000	(11,890,000)	253,220,000	-4%	Add additional projects and reduced loan funded project.	(75,517,760)	-30%	Various loan and grant projects in the process of construction being rolled over.
TOTAL	41,570,162	140,233,687	181,803,849	285,010,000	(26,540,000)	258,470,000	-9%	Add additional projects and reduced loan funded project.	(76,666,151)	-30%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget.

APPENDIX E(3)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (CASH FLOW) FOR THE YEAR ENDED 30 JUNE 2013

	2013 Actual	2013 Original Budget	2013 Adjustment	2013 Final Budget	2013 Variance Original vs Final Budget %	2013 Explanation of variances greater than 10% Original versus Final Budget	2013 Variance Actual vs Final Budget R	2013 Variance Original vs Final Budget %	2013 Explanation of variances greater than 10% Original versus Final Budget
	R	R	R	R					
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash receipts from Ratepayers, Government and Other	1,318,384,277	1,337,458,000	138,686,000	1,476,144,000	9%	Due to adjusting housing project income, grants and service charges.	-157,759,723.29	-12%	Due to adjusting housing project income and unspent capital grants
Cash paid to Suppliers and Employees	1,036,068,543	1,117,908,000	95,194,000	1,213,102,000	8%		-177,033,456.66	-17%	Due to the savings in general expenditure, finance costs and repairs and maintenance cost.
Cash generated from / (utilised in) Operations	282,315,733	219,550,000	43,492,000	263,042,000					
Interest received	47,281,510	34,416,000	6,584,000	41,000,000	16%	Due to increase in investments.	6,281,509.57	13%	Investment income increased above expectations.
Interest paid	(24,693,752)	(37,756,000)	1,000,000	(36,756,000)	-3%		12,062,248.04	-49%	Loan projects to be finalised in 2013/14.
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	304,903,491	216,210,000	51,076,000	267,286,000					
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant and Equipment	(181,803,849)	(285,010,000)	26,540,000	(258,470,000)	-10%	Projects not to be completed before year end moved to 2013/14	76,666,150.89	-42%	Projects not completed before year end.
Purchase of Intangible Assets	(100,078)						-100,077.72	100%	Project re-categorised.
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(181,903,927)	(285,010,000)	26,540,000	(258,470,000)					
CASH FLOWS FROM FINANCING ACTIVITIES									
New Loans raised	57,072,801	124,900,000	(54,100,000)	70,800,000	-76%	Projects not to be completed before year end moved to 2013/14.	-13,727,198.94	-24%	Projects not completed before year end.
Loans repaid	(16,392,756)	(15,986,000)	9,872,000	(6,114,000)	-161%	Loan projects to be finalised in 2013/14.	-10,278,756.24	63%	Projects not completed before year end.
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	40,680,045	108,914,000	(44,228,000)	64,686,000					
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	163,679,609	40,114,000	33,388,000	73,502,000					
Cash and Cash Equivalents at the beginning of the year	160,285,432	110,000,000	61,931,000	171,931,000					
Cash and Cash Equivalents at the end of the year	323,965,041	150,114,000	95,319,000	245,433,000					

APPENDIX F
SOL PLAATJE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2013

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	1,295,000	1,295,000	-	1,295,000	None	Yes	None
Primary Health	Provincial	668,168	2,525,000	1,856,832	2,525,000	Partial Payment. Revenue accrued.	Yes	None
EPWP	Provincial	10,578,000	7,660,000	-	10,578,000	Receipts offset against 11/12 debtor R 2 918 000	Yes	None
Equitable Share	National	146,493,000	N/A	-	146,493,000	None	Yes	None
Department Water Affairs	National	31,833,291	31,833,291	-	N/A	None	Yes	None
Financial Management Grant	National	1,500,000	1,500,000	-	1,500,000	None	Yes	None
MIG	National	55,028,000	51,889,656	-	55,028,000	None	Yes	None
MSIG	National	800,000	800,000	-	800,000	None	Yes	None
INEP	National	28,000,000	15,086,440	-	28,000,000	None	Yes	None
ISDG (Skills)	National	3,000,000	1,376,624	-	3,000,000	None	Yes	None
Frances Baard Municipality	Municipality	800,000	2,106,160	1,306,160	N/A	None. Revenue accrued of R1 306 160	N/A	None
Coghsta	Provincial	7,500,000	3,239,841	-	N/A	None	Yes	None
Coghsta	Provincial	3,100,457	3,100,457	-	N/A	None	Yes	None
Transnet	Transnet	-	7,768,133	7,768,133	N/A	No Payment. Revenue accrued. Refunding 11/12 R18 000 000	Yes	None
EDSM	National	6,000,000	49,590	-	6,000,000	None	Yes	None
Total		296,695,916	130,330,192	10,931,125	255,219,000			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by Provincial Government.

APPENDIX G
SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2013

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1/2012/13	M.E Molehane	Provision of refuse collection service within the Galeshewe	193,140	K Williams	Exceptional cases
2/2012/13	M.T Geco	Provision of refuse collection service within the Galeshewe	193,140	K Williams	Exceptional cases
3/2012/13	Blendtech	Supply and deliver of a polyelectrolyte at Riverton Water Purification Plant	188,278	S Coetzee	Exceptional cases
4/2012/13	Sud-Chemie	Supply and deliver of a polyelectrolyte at Riverton Water Purification Plant	140,220	S Coetzee	Exceptional cases
5/2012/13	Teloc Waste Management CC	Hiring of high pressure jet truck (Combination)	81,852	OT Mokale	Exceptional cases
6/2012/13	Lebone Engineering	Financial Risk Assessment: Homevale Waste Water Treatment Works-Construction of a 15 ML/Day Extension	151,278	B Dhlwayo	An Emergency
7/2012/13	Metsi-Chem	Supply and deliver of a polyelectrolyte at Riverton Water Purification Plant	177,967	S Coetzee	Exceptional cases
8/2012/13	Energy Room (SABC 3)	Television Interview for the Executive Mayor on the Espresso programme	50,160	T Riet	Sole Provider
9/2012/13	Linri Enterprises	Printing of the IDP Document	78,559	MM Stols	Exceptional cases
10/2012/13	Shine the way 1302 CC	Catering and blankets for Mandela day	141,100	V Kgokong	Exceptional cases
11/2012/13	Teloc Waste Management CC	Hiring of Honey Sucker	55,632	D Leeuw	Exceptional cases
12/2012/13	Cape Media Corporation	Profiling of Executive Mayor of Sol Plaatje in Publication	42,123	D Holele	Work of Art or historical object
13/2012/13	Party Organizer CC	Décor (Civic Reception)	40,235	V Kgokong	Exceptional cases
14/2012/13	MJB Beukes Catering CC	Catering (Gala Dinner)	42,000	V Kgokong	Exceptional cases
15/2012/13	Shared Signals Trading & Projects	Repairing of Leaking Pipes within Sol Plaatje Municipal Jurisdiction	160,972	D Karsten	An Emergency
15/2012/13	Tsherelesto Trading	Repairing of Leaking Pipes within Sol Plaatje Municipal Jurisdiction	122,173	D Karsten	An Emergency
16/2012/13	Mc D Painters	Repairs to roof structure that were damaged during a transformer fire at Hall Street Substation	50,317	F Aysen	An Emergency
17/2012/13	Ronne Electrical	Replacement of 110vdc and 30vdc protection batteries and chargers that were damaged during a transformer fire at Hall Street Substation	187,452	F Aysen	An Emergency
18/2012/13	Kim Nissan	Rear Brake Wheel Cylinders needs to be replaced with seals	31,806	C Lamont	Sole Provider
19/2012/13	Metsi Chem International	Supply and deliver of a polyelectrolyte at Riverton Water Purification Plant	425,734	S Coetzee	An Emergency
20/2012/13	R Roux & Associates	Training	94,620	M Kilelo	Exceptional cases
21/2012/13	Teloc (Pty) Ltd	Hire of 1x sanitation truck	111,224	DH Leeuw	Exceptional cases
22/2012/13	Weird	The supply & Delivery of Hot Premix	3,098,520	JL Samuels	Exceptional cases
23/2012/13	Teloc (Pty) Ltd	Hire of high pressure machine	81,852	MW Du Plessis	Exceptional cases
24/2012/13	Tawana Transport Services	Transport Services	67,000	A Sebeela	Exceptional cases
25/2012/13	Marce Fire Fighting Technology	Emergency repairs for 4000-2HHL fire pump (Scania fire fighting vehicle)	69,364	MW Pretorius	Sole Provider
26/2012/13	Expression Culture @ PAG73	Mural Art on Project of Tourism Information boards with maps & construction of walls at the Entrance of N12 & N8	55,000	N Poolo	Work of Art or historical object
27/2012/13	E Molehane	Refuse collection service within Galeshewe	193,141	K Williams	Exceptional cases
28/2012/13	Kapa Bokone Security	Safety and Security Services	514,809	V Kgokong	Exceptional cases
29/2012/13	Shine The Way 1302 CC	Gala Dinner for Centenary Touch	135,000	V Kgokong	Exceptional cases
30/2012/13	Aqua Agri Solution	Supply and delivery of a polyelectrolyte at Riverton Water Purification Plant	429,552	S Coetzee	Exceptional cases
31/2012/13	Gariep Motors	Emergency repairs for Allison Transmission. (Freightliner FL80 Fire Engine)	143,261	R Janse Van Vuuren	Sole Provider
32/2012/13	Marce Fire Fighting Technology	Repair all faults on Scania P340CB Fire Engine	65,604	R Janse Van Vuuren	Sole Provider
33/2012/13	Lexis Nexis	Road Traffic/Transport ACT 93 OF 1996, Amendment nr 35	48,220	CFM Langford	Sole Provider
34/2012/13	H.E Maritz	4 Cows and 60 Sheep to Slaughter for Mass Funeral	95,760	D Holele	Acquisition of animals
35/2012/13	Umphile Trade and Investment	Mobile Toilet for the five families	44,000	D Holele	Exceptional cases
36/2012/13	Kimberley Cremations and Funerals	Private Graves Provision	57,000	D Holele	Sole Provider
37/2012/13	Pescodia Funeral Service	Undertaker Service	49,000	D Holele	Exceptional cases
38/2012/13	MM Cader	Funeral grocery for the five families	42,720	D Holele	Exceptional cases
39/2012/13	Barolong Investment	Undertaker Service	356,966	D Holele	Exceptional cases
40/2012/13	Esplanade Trading	Funeral arrangement for 5 employees- Sound system and stage	130,625	D Chabalala	Exceptional cases
41/2012/13	Ntsuni Telecommunications	Delivery of notices via Cellular Telephones	125,000 P/M	ZL Mahloko/A Kloppe	Exceptional cases
42/2012/13	Velocity Road Rehabilitation (Pty) Ltd	Repairing of potholes with Velocity Road Rehabilitation Truck	429,575	T Raseobi	Exceptional cases
43/2012/13	Weird	Hot premix (asphalt)	1,414,740	MN Abrahams	Exceptional cases
44/2012/13	Shine the Way 1302 CC	Provision of Scones and/or biscuits and 25L Juice for seven(7) days for the bereaved families of the "Homevale 5" from 9 to 15 November 2012	34,200	D Holele	Exceptional cases
45/2012/13	Kopana Engineering Projects	The supply and delivery of 18 Lead Acid Batteries for the Sub-stations	41,610	D Mooketsi	An Emergency
46/2012/13	C-Pac Pumps and Valves	Emergency maintenance work at the Homevale Waste Water Treatment Works to restore the functionality of the works.	2,373,290	MN Abrahams	An Emergency
47/2012/13	CQS Technology Holdings (Pty) Ltd	CaseWare Working Papers	117,838	RF Booysen	Sole Provider
48/2012/13	Khu-The Distributors CC	Bus Service to transport Army Teams for cleaning project	45,000	TJ Khweshiwe	Exceptional cases
49/2012/13	Mr. E Molehane	Weekly refuse collection service within Galeshewe	386,284	TJ Khweshiwe	Exceptional cases
50/2012/13	MC Suppliers	Purchasing of 1500 tons of hot Premix (Asphalt)	2,501,000	T Raseobi	An Emergency
51/2012/13	Bell Equipment	Repairs to be done on specialized automatic transmission of a refuse compactor by agents	85,266	P Gray	Sole provider
52/2012/13	Linri Enterprises CC	It was required that Linri collates, edits, proof read, design and layout as well as print 200 copies of the final annual report	287,901	M Stols	Exceptional cases
53/2012/13	Lexis Nexis	Road Traffic / Transport Act 93 of 1996, amendment nr.36	37,550	CFM Langford	Sole provider
54/2012/13	R Roux & Associates	System verification for UIF refund and reimbursements for Sol Plaatje and Councillors for the year 2008/2009 and payroll verification for March 2013	42,055	MB Kilelo	Exceptional cases
55/2012/13	C-Pac Pumps & Valves	Refurbish of 450 non – return and DN 450 wedge type G Valves	178,982	SH Coetzee	An Emergency
56/2012/13	Civilience Consulting Engineering Professionals	Professional services for upgrading of roads and storm water infrastructure in Galeshewe	190,380	T Raseobi/G Jele	Exceptional cases
57/2012/13	Civilience Consulting Engineering Professionals	Professional services for upgrading of roads and storm water infrastructure in Galeshewe	222,300	T Raseobi/G Jele	Exceptional cases
58/2012/13	Aurecon	Professional services for upgrading of roads and storm water infrastructure in Galeshewe	315,229	T Raseobi/G Jele	Exceptional cases
59/2012/13	Moedi Consulting Engineers	Professional services for upgrading of roads and storm water infrastructure in Galeshewe	498,000	T Raseobi/G Jele	Exceptional cases
60/2012/13	MC Suppliers	Supply and Delivery of Hot Premix and SS60 Bitumen	2,473,070	J Samuels	Exceptional cases
61/2012/13	Lesedi Training Centre t/a DBCM (Pty) Ltd	Trade related training + testing: Filler & Turners	440,090	M Van Zyl	Sole Provider
62/2012/13	Interconnect Systems	Interconnect did the original installation of the Fiber and understands the requirements and regulation s for the Atrial fiber	48,539	K. Ponton	An Emergency
63/2012/13	Gariep Motors	Engine Overhaul	197,093	MW Pretorius	An Emergency
64/2012/13	CQS Technology Holdings Holdings (Pty) Ltd	On site technical support for preparation of financial statements	172,311	ZL Mahloko	An Emergency
65/2012/13	Itron Metering Services	Provision and installation of meters	8,719,650	D Mooketsi/A Kloppe	Exceptional cases
66/2012/13	Hendri Badenhorst Eiendomswaardeerders en Ass	Valuation of Properties in terms of GRAP 17	153,900	E Baise	Sole Provider
67/2012/13	Mapogo Private Policy	To provide a daily security on a 24 hour per day basis for the period 25 February 2013 to 31 May 2013 at the Kimberley refuse disposable site	218,880	KD Williams	Exceptional cases
68/2012/13	Bigen Africa	Professional consulting service for the following services: Traffic, roads and storm water master plan establishment of pavement management system and associated repair and resurfacing of roads	4,588,500	B Dhlwayo	Exceptional cases